OUT OF THE ORDINARY

Investec

Built on strong foundations

Investec Bank plc annual financial statements 2021

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

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

Page references
Refers readers to information elsewhere in this report

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

Group sustainability
Refers readers to further information in our 2021 group sustainability and ESG supplementary report available on our website: **www.investec.com**

Reporting standard
Denotes our consideration of a reporting standard

Unaudited information
Indicates information which has not been audited

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

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

Feedback
We value feedback and invite questions and comments on our reporting. To give feedback please contact our Investor Relations division.

For queries regarding information in this document:

Investor relations
Tel: (27) 11 286 7070
(44) 20 7597 5546
Email: investorrelations@investec.com

www.investec.com/en_za/welcome-to-investec/about-us/investor-relations.html

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01

Operational and strategic overview

WHO WE ARE

"May you live in interesting times," goes the traditional curse. The "interesting times" of the past year go far beyond the experience of most of us. At Investec we've responded as only we know how: with our clients' needs first and foremost in our mind. We hold that the ordinary ways of yesterday are not enough to progress. Now, more than ever, our determination to be out of the ordinary is critical to the future success of our business.

This attitude is seen in the way our people have pulled together to overcome unforeseen challenges, and the resources we've invested in our community response to the COVID-19 pandemic in the UK.

WHO WE ARE

WHO WE ARE

WHO WE ARE

Investec's commitment to our clients has been unwavering, and we take pride in having provided assistance to those who needed it most: be they individuals whose income was disrupted or businesses who found themselves suddenly unable to pay suppliers or staff.

This response was possible only because of our disciplined approach to managing risk and maintaining a balance sheet robust enough to see us through times like these – a resilience that is reflected in this year's creditable performance and return to shareholders.

Investec. Out of the Ordinary.

OVERVIEW OF THE INVESTEC GROUP'S AND INVESTEC BANK PLC'S ORGANISATIONAL STRUCTURE

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

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

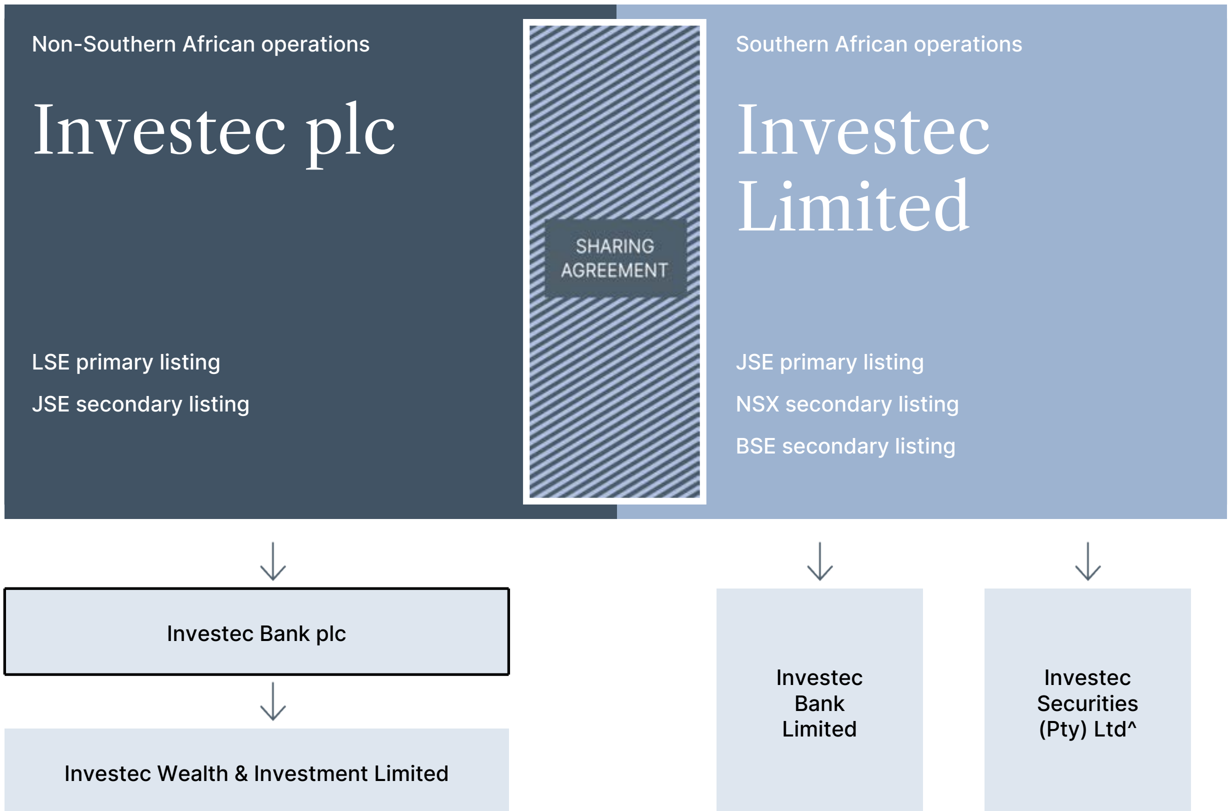
In terms of our DLC structure, Investec Limited is the holding company of our businesses in Southern Africa, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec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

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

While Investec Wealth & Investment Limited is a wholly-owned, FCA regulated subsidiary of IBP, it maintains an independent governance structure.

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

How we are structured



^ Houses the Wealth & Investment business.
All shareholdings in the ordinary share capital of the subsidiaries shown are 100%.
In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One group, with 16.3% held through Investec plc and 8.7% held through Investec Limited.

Salient features of the DLC structure

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

OUR BUSINESS AT A GLANCE

One Investec

Our purpose

Our purpose is to create enduring worth, living in, not off, society

Our mission

Investec is a distinctive bank and wealth manager, driven by commitment to our core philosophies and values. We deliver exceptional service to our clients in the areas of banking and wealth management, striving to create long-term value for all of our stakeholders and contributing meaningfully to our people, communities and planet.

Our distinction

The Investec distinction is embodied in our entrepreneurial culture, supported by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people. Our aim is to build well-defined, value-adding businesses focused on serving the needs of select market niches where we can compete effectively and build scale and relevance.

Our unique positioning is reflected in our iconic brand, our high-tech and high-touch approach and our positive contribution to society, macro-economic stability and the environment. Ours is a culture that values innovative thinking and stimulates extraordinary performance. We take pride in the strength of our leadership team and we employ passionate, talented people who are empowered and committed to our mission and values.

Our strategic direction

The One Investec strategy is, first and foremost, a commitment to drawing on the full breadth and depth of relevant capabilities to meet the needs of each and every client, regardless of specialisation or geography.

One Investec is also about improving internal operating efficiencies; ensuring that investments in infrastructure and technology support our differentiated service offering across the entire group, not just within specific operating units or geographies.

And in our allocation of capital, the One Investec strategy demands a disciplined approach to optimising returns, not merely for one region or business area but for the group as a whole.

Our values

Investec exists to create enduring worth for all of our stakeholders: our clients, our people and the communities in which we operate. This purpose is expressed in five key values that shape the way that we work and live within society.

1

Cast-iron integrity

We believe in long-term relationships built on mutual trust, open and honest dialogue and cast-iron integrity.

2

Distinctive performance

We thrive on energy, ambition and outstanding talent. We are open to fresh thinking. We believe in diversity and respect for others.

3

Client focus

We are committed to genuine collaboration and unwavering dedication to our clients' needs and goals.

4

Entrepreneurial spirit

We are pioneers at heart. Shaped by our non-traditional origin and evolution, we share with our clients a willingness to challenge the status quo in pursuit of a better, more sustainable tomorrow.

5

Dedicated partnership

We collaborate unselfishly in pursuit of group performance, through open and honest dialogue – using process to test decisions, seek challenge and accept responsibility.

OUR STRATEGIC OBJECTIVES

Driving sustainable long-term growth

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

We are focused on delivering profitable, impactful and sustainable solutions to our clients. To deliver on One Investec, we will focus on collaboration between the Banking and Wealth & Investment businesses and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

Our long-term strategic focus:

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

Five key strategic objectives

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

Improved cost management
Heightened rigour in identifying efficiencies in all areas of the business

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

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

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

Read more in our Divisional Review section on pages 34 to 42.

OUR BUSINESS MODEL

Creating sustainable, long-term value

Key highlights

Core areas of activity	Total employees	Core loans	Customer deposits	Funds under management
2	3 500	£12.3bn	£16.2bn	£41.7bn

Our clients and offering

Corporate / Institutional / Private Equity / Intermediary / Government

Private client (high net worth) / Charities / Trusts

Specialist Banking

- Lending
- Transactional banking
- Advice
- Hedging
- Cash deposits and savings
- Equity placement

Wealth & Investment

- Discretionary wealth management
- Investment advisory services
- Financial planning

Our approach

We have market-leading, distinctive client franchises

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

We are a people business backed by our Out of the Ordinary culture and entrepreneurial spirit

Our stakeholders

To see a full list of our stakeholders, read more on pages 20 to 23.

Our clients

We support our clients to grow their businesses by leveraging our financial expertise to provide bespoke solutions that are profitable, impactful and sustainable.

Our people

We employ people who are passionate and empowered to perform extraordinarily while building a diverse and representative workforce.

Our communities

We unselfishly contribute to communities by helping people become active economic participants, focusing on education and economic inclusion.

Our planet

We aim to operate sustainably, within our planetary boundaries and funding activities that support biodiversity and a zero-carbon world.

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC

We provide our clients with a diversified, combined and integrated banking and wealth management offering with extensive depth and breadth of product and services

Specialist Banking

Our teams are well positioned to provide solutions to meet private, corporate and institutional clients' needs. Each business provides specialised products and services to defined target markets.

What makes us distinct?

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

Focus on helping our clients create and preserve wealth

High net worth private clients

Private client banking activities

- Lending
- Private capital
- Transactional banking
- Savings
- Foreign exchange

UK
Channel Islands

Our high-tech and high-touch private client offering provides transactional banking, lending, private capital, savings and foreign exchange tailored to suit our clients' needs.

Our target market includes high net worth (HNW) active wealth creators (with >£300k annual income and >£3mn NAV). Our savings offering targets primarily UK retail savers.

A highly valued partner and adviser to our clients

Corporate, private, intermediary, government and institutional clients

Corporate and investment banking activities

- Lending
- Treasury and risk management solutions
- Advisory
- Institutional research, sales and trading

UK and Europe
Channel Islands
USA
India
Hong Kong

Our client-centric, solution-driven offering provides Corporate Banking and Investment Banking services to private companies, private equity and sponsor-backed companies and publicly listed companies.

Natural linkages between the private client and corporate business

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK PLC
CONTINUED

Wealth & Investment

A leading private client investment manager in the UK

We are one of the largest investment management firms in the UK and are committed to providing bespoke personal service to private clients, trusts, charities, intermediaries and pension schemes.

With 15 offices across the UK, together with offices in the Channel Islands and Switzerland, combined we employ over 1 300 people with funds under management (FUM) of £41.7bn.

What makes us distinct?
We put our clients first, providing a service suited to their individual requirements. We aim to build long-term relationships with our clients so they can live their lives confident in the knowledge that their finances are being expertly looked after.

Our client groups
- Private clients – domestic and international
- Clients of professional advisers
- Charities
- Trusts.

Distribution channels
- Direct
- Intermediaries
- Investec Private Bank
- Investec internationally.

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

Our offering

UK and Europe

Investment and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Financial planning advice for private clients
- Specialist portfolio management services for international clients
- Platform-based managed portfolio service (MPS) for advisers
- Range of specialist funds for direct clients and advisers

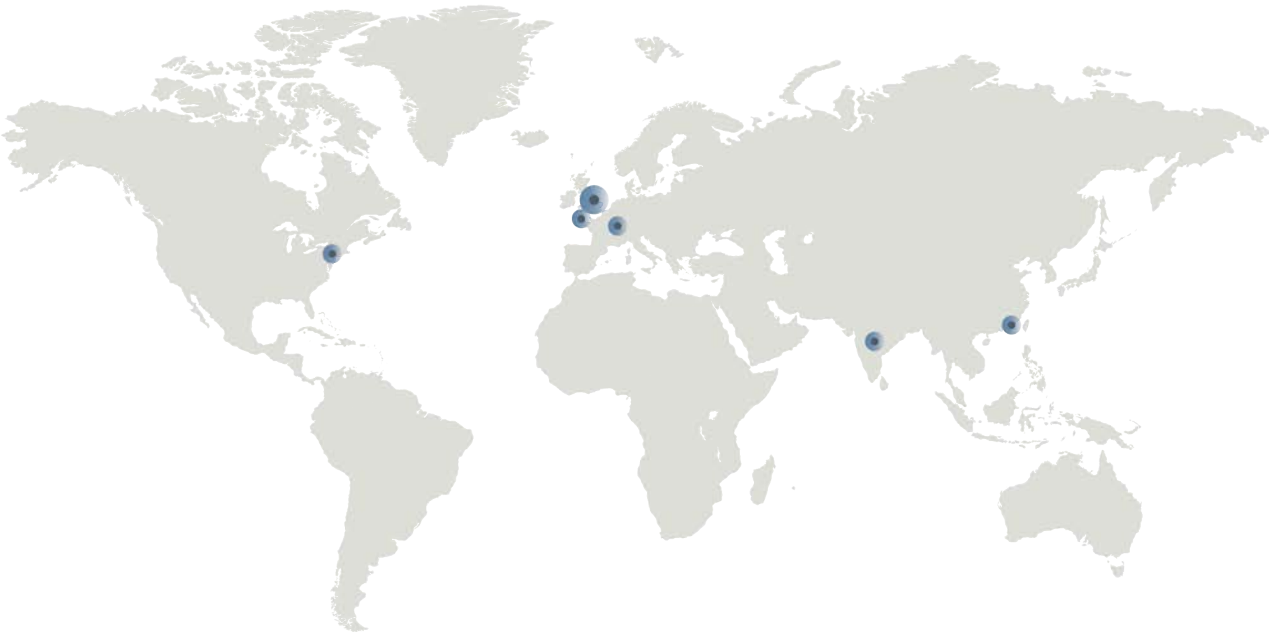
Financial planning

- Retirement planning
- Succession planning
- Bespoke advice and financial reviews

Pensions and retirement

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

OUR OPERATIONAL FOOTPRINT



UK

- Established a presence in 1992
- Brand well-established
- One of the UK's leading private client investment managers
- Proven ability to attract and recruit investment managers
- Sustainable diversified banking business focused on solutions for corporate, institutional and private clients

Channel Islands

- Established a presence in Guernsey in 1998, Jersey in 2007 and Isle of Man in 2018
- Private banking activities offered to private clients, family offices and Trust & Corporate Service Providers
- Certain corporate banking services offered
- Wealth & Investment offered in Guernsey

India

- Established a presence in 2010
- Institutional equities business providing research, sales and trading activities
- Merchant banking business connecting Indian companies with domestic and international investors
- Investec has recently entered into an agreement with State Bank of India group to form a strategic partnership to grow this business. SBI group will invest primary capital into the Indian subsidiary of Investec to take a significant minority stake in the business with board rights. This business will be managed as a JV between Investec group and State Bank of India group

Hong Kong

- Established a presence in 1992
- Private equity fund solutions

USA

- Established a presence in 1998
- US Power and Infrastructure Finance and Securities

Ireland

- Established a presence in 1999
- European trading and investment banking services

Switzerland

- Established a presence in 1999
- International Wealth & Investment and European Banking activities

During the period, the Investec group made the strategic decision to exit its operations in Australia. Refer to page 44 for more information.

OUR PERFORMANCE AT A GLANCE

Our client franchises showed resilience

Adjusted operating profit decreased 37.6%

£108.3 million

2020: £173.6 million

Earnings attributable to shareholder increased 10.4%

£63.8 million

2020: £57.8 million

- The 2021 financial year was a tale of two halves. First half performance was characterised by difficult and volatile market and economic conditions attributable primarily to COVID-19. The second half showed strong earnings recovery, supported by our resilient client base, a rebound in economic activity and a greater sense of optimism spurred on by global vaccination campaigns. We carry this momentum into the 2022 financial year, focused on actively servicing our clients and delivering long-term value.
- The Wealth & Investment business reported positive net organic growth in FUM of 3.3% since 31 March 2020. Net inflows of £1.1 billion, favourable market movements and good investment performance, contributed to a record increase in FUM to £41.7 billion (FY2020: £33.1 billion). Revenue was broadly flat compared to the prior year, positively impacted by organic growth in FUM in the current and prior year, increased transaction volumes and the associated repositioning of client portfolios, and negatively impacted by lower interest rates
- The Specialist Banking client franchises performed strongly, showing continued traction in our client acquisition strategy across the business, and reporting loan book growth of 3.9%. The investment in our Private Banking business is bearing fruit and performing ahead of expectations. Net interest income increased despite lower interest rates, and we saw strong equity capital markets activity and an improvement in investment income. Revenue was impacted by risk management and risk reduction costs of £93 million related to the structured products book
- Operating costs increased by 7.2% year-on-year, however, fixed costs decreased, driven by headcount reduction and lower discretionary spending. These savings were offset by an increase in variable remuneration reflecting improved business momentum and continued investment in technology. IBP incurred approximately £26 million of once-off restructuring costs in the period
- Overall, Investec Bank plc reported an adjusted operating profit of £108.3 million for the year ended 31 March 2021 (2020: £173.6 million), impacted by elevated hedging costs related to the structured products book as well as higher operating costs
- Earnings attributable to shareholder increased to £63.8 million (2020: £57.8 million, primarily due to the non-repeat of prior year costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses.

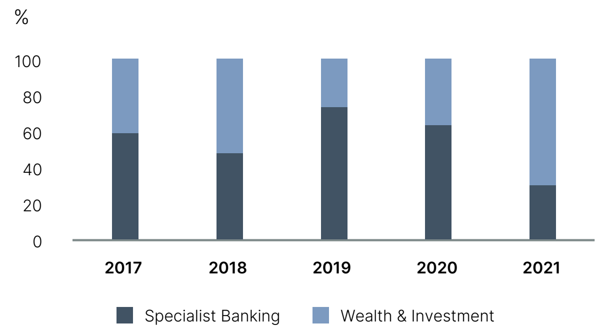
OUR PERFORMANCE AT A GLANCE
CONTINUED

Financial performance

Adjusted operating profit decreased 37.6%	**2021** £108.3mn **2020** £173.6mn
Annuity income as a % of total operating income	**2021** 74.6% **2020** 72.0%
Cost to income ratio	**2021** 80.9% **2020** 73.9%
Credit loss ratio	**2021** 0.56% **2020** 0.69%

Diversified business model

Contribution of adjusted operating profit

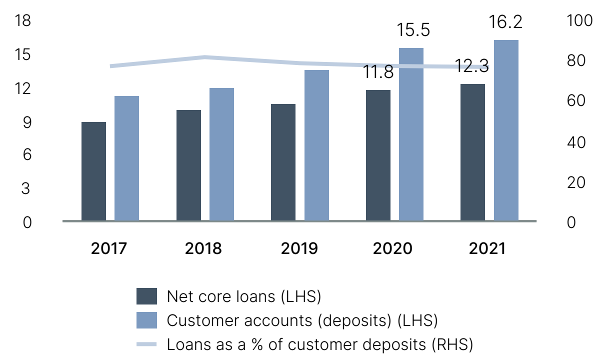


Continued growth of our key earnings drivers

customer accounts (deposits)
increased 4.7% to
£16.2 billion

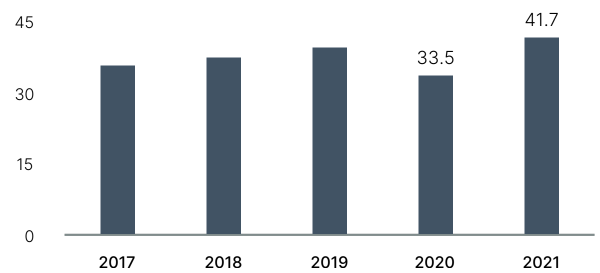
Core loans
increased 4.0% to
£12.3 billion

Customer accounts (deposits) and loans
£'billion



Funds under management
increased 24.6% to
£41.7 billion
reflecting market recovery, net inflows and good investment performance

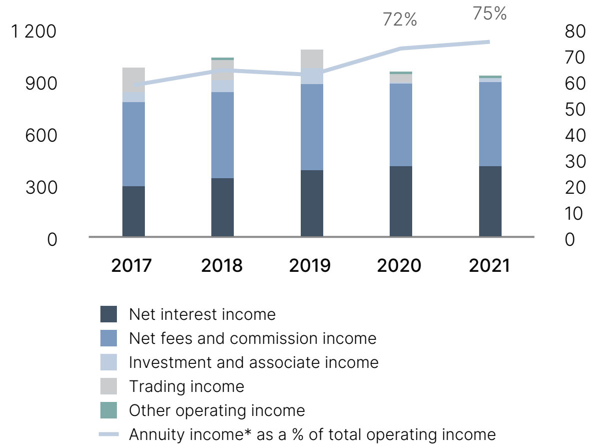
Funds under management
£'billion



OUR PERFORMANCE AT A GLANCE
CONTINUED

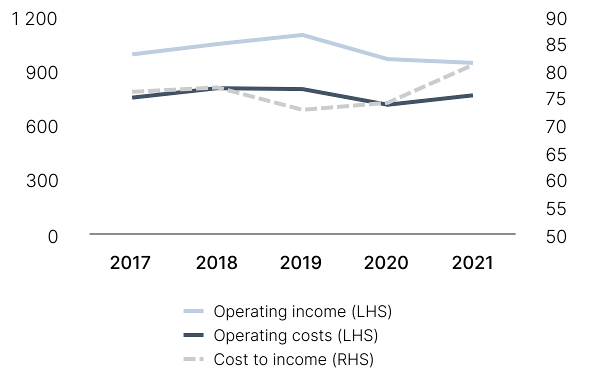
Strong annuity base albeit impacted by low interest rates and subdued activity due to COVID-19 environment

Total operating income



* Where annuity income is net interest income and annuity fees

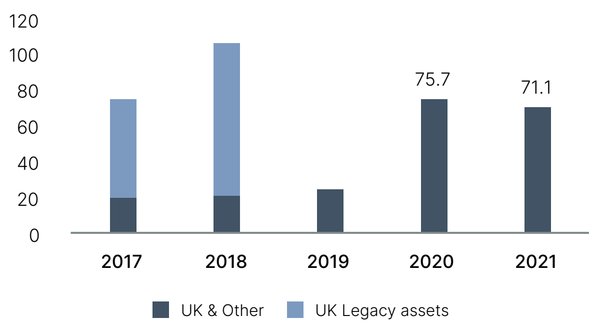
Jaws ratio



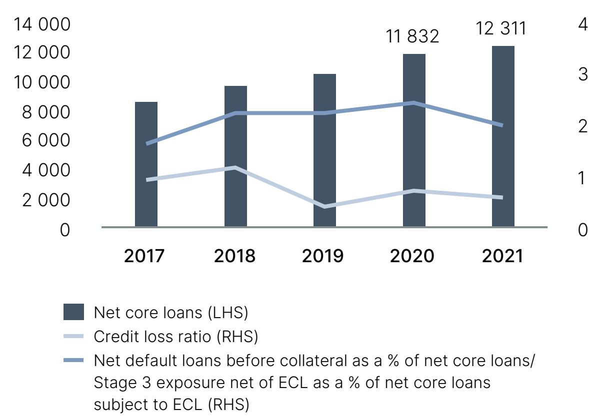
Growth in net interest income, equity capital markets fees and investment income offset by lower lending fees and structured products risk management and risk reduction costs

The cost to income ratio increased due to marginally lower operating income and higher operating costs, including once-off restructuring costs

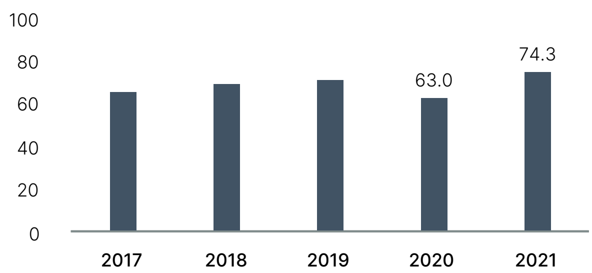
Expected credit loss (ECL) impairment charges



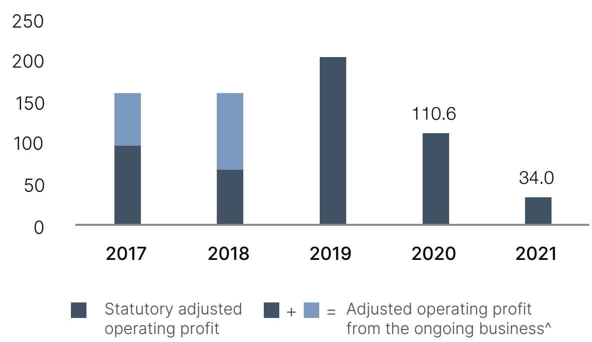
Default and core loans



Adjusted operating profit – Wealth & Investment



Adjusted operating profit – Specialist Banking



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

OUR PERFORMANCE AT A GLANCE
CONTINUED

Maintained a sound balance sheet
The intimate involvement of executive management ensures stringent management of risk, capital and liquidity as set out below.

Capital management

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

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

We are comfortable with our Common Equity Tier 1 (CET1) ratio target at 10% given our solid capital light revenues, and with our leverage ratio at 8.0%.

Capital ratios

	31 March 2021	31 March 2020
Common Equity Tier 1 ratio*	11.8%	11.5%
Common Equity Tier 1 ratio (fully loaded)	11.3%	11.1%
Tier 1 ratio*	13.4%	13.1%
Total capital ratio*	16.4%	16.5%
Leverage ratio	8.0%	8.0%
Leverage ratio (fully loaded)	7.7%	7.8%
Leverage ratio (UK leverage ratio framework)**	9.4%	9.2%

* The CET1, Tier 1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements (including the changes introduced by the 'quick fix' regulation adopted in June 2020).
** Investec Bank plc is not subject to the UK leverage ratio framework; however, for comparative purposes this ratio has been disclosed. This framework excludes qualifying central bank balances from the calculation of the leverage exposure measure.

Note: Refer to pages 104 and 106 for further details.

A well-established liquidity management philosophy remains in place

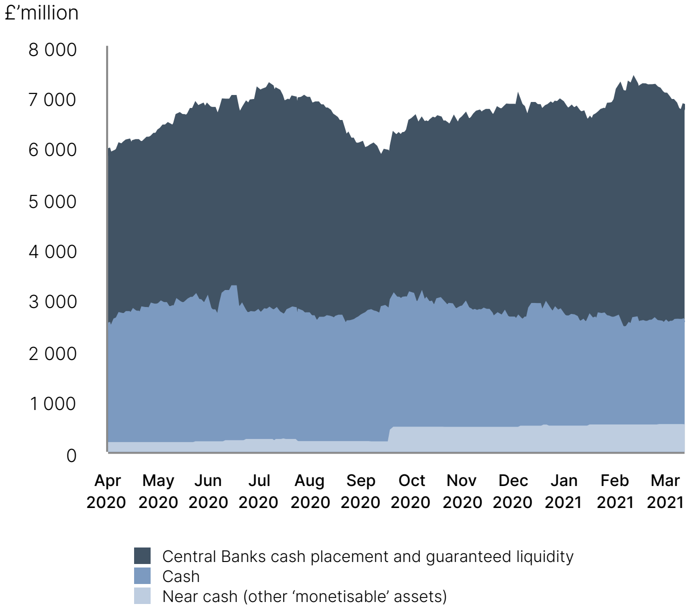
Continued to focus on:
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%, with the year-end ratio at 42.2%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Maintaining low reliance on wholesale funding
- Continuing to benefit from a growing retail deposit franchise and recorded an increase in customer deposits

Liquidity remains strong with cash and near cash balances amounting to £6.9 billion (2020: £6.0 billion). Average cash balances remained high as we maintained a conservative position holding higher levels of bank cash balances due to the onset of the COVID-19 pandemic.

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

The bank's loan to deposit ratio was 75.8% (2020: 76.3%).

Cash and near cash trend



STAKEHOLDER ENGAGEMENT

Listening and engaging with our stakeholders

The board appreciates the importance of meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them. Effective communication and stakeholder engagement are integral in building stakeholder value. The board is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, enabling them to make meaningful assessments and informed investment decisions about the group.

In order to achieve these outcomes, the board addresses material matters of significant interest and concern, highlighting key risks to which the group is exposed and responses to mitigate these risks.

IBP is a wholly-owned subsidiary of Investec plc (refer to operational structure on page 8) and as such has one shareholder. The IBP board communicates regularly with the board of Investec plc. Certain IBP engagements with its stakeholders are performed on a group basis such as maintenance of its website, investor relations activity and ESG engagement.

Section 172(1) statement
This section of the Strategic Report describes how the directors have had regard to the matters set out in Section 172(1), and forms the directors' statement required under the Companies Act 2006. This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders.

Strong partnerships and understanding are essential to the creation of enduring worth. To be the best we can be, and to understand stakeholders' needs, we work hard to establish the most effective ways of engaging with them.

Engagement is important to us because it means we can understand stakeholder views and are able to respond in a meaningful and impactful way.

We gather feedback through continuous dialogue with our stakeholders throughout the year to gain an intimate understanding of their needs. It's only through this varied dialogue that we can improve as a business, consider our strategy and deliver on our purpose.

As detailed on the pages that follow, the board's oversight of engagement with our stakeholders informs their principal decisions during the year.

STAKEHOLDER ENGAGEMENT
CONTINUED

Clients

At the heart of Investec, we are all about partnership, striving to build deep and long-lasting relationships with our clients.

What matters to them
- A dependable banking, wealth creation and wealth management partner
- Innovative and creative solutions
- Financial security, particularly during the COVID-19 pandemic
- Cyber security
- Competitive pricing
- Assurance as to the security of their funds

How we engage
- The board discharges its oversight of client engagement to senior management and client relationship managers, receiving regular updates in board meetings about matters including Investec's support for clients during the COVID-19 pandemic
- Client engagement methods have evolved during the COVID-19 pandemic, with face-to-face meetings becoming less frequent and a greater reliance on digital platforms and services
- Comprehensive website and app
- Regular telephone and email communications
- Industry relevant events and client marketing events, both of which have moved to online platforms while most people continue to work from home

FY2021 highlights
- Named 'Bank of the Year' at the 2020 Real Deals Private Equity Awards
- We continue to support our SME clients, having approved £213mn of loans via government lending schemes and were recently accredited for the new Recoveries Loan Scheme
- Record breaking year for our private client franchise, growing our client base by 21%, supporting the 37% year-on-year increase in the loan book

£3.5bn
in equity capital raised for 30 corporate clients

Our people*

Our more than 3 500+ people are at the heart of our business. We aim to be an organisation that values all of its people for their contributions and celebrates them for who they are.

What matters to them
- Learning and development
- Belonging, Inclusion and Diversity (BID), particularly in a year that witnessed the tragic killing of George Floyd and the subsequent worldwide protests. Our response continues focusing on building an inclusive working environment, improving representation, and enhancing access to progression opportunities
- Wellbeing, especially during this year of COVID-19 lockdowns and extended periods of working from home
- Fair remuneration
- Flexible working conditions and expectations around the future of work

How we engage
- Designated non-executive director overseeing workforce engagement
- Staff updates and discussions hosted by the CEO, executive directors and/or senior management conducted more frequently via video to keep staff up to date in light of COVID-19
- Regular CEO staff communication including email updates, staff intranet, Microsoft Teams and other digital channels
- Induction training for new employees including a welcome from the CEO and senior management
- Tailored internal investor relations presentations on IBP results, strategy updates and general feedback from the market
- IBP factsheets
- Dedicated comprehensive intranet with a wellbeing platform offering yoga classes, community engagement and helpline in response to employees struggling with the induced stress of working from home and lockdown life

FY2021 highlights
- Launched Investec Employee Wellbeing Helpline to support staff through the COVID-19 pandemic
- Created a One Investec Young Leaders Council and reverse mentoring programme
- Reduced gender pay gap for the third consecutive year

* 'Our people' includes permanent employees, temporary employees and contractors.

STAKEHOLDER ENGAGEMENT
CONTINUED

Debt investors

We engage with debt investors who hold instruments issued by IBP.

What matters to them
- Progress against strategic objectives
- Financial performance
- Credit ratings
- Capital and liquidity position
- Business sustainability
- Management expectations and guidance on future business performance
- Balance sheet resilience

How we engage
- Regular meetings with executive directors, senior management and investor relations
- Stock exchange announcements
- Comprehensive investor relations website
- Investor roadshows and presentations
- Regular telephone and email communications
- Annual and interim reports

FY2021 highlights
- Organised an inaugural Euro debt roadshow in the UK/Europe which raised €300mn

30

meetings with debt investors throughout the year

Communities

Our values of making an unselfish contribution to society, valuing diversity and nurturing an entrepreneurial spirit drive our commitment to support the communities in which we exist. Our focus is on education, entrepreneurship and the environment.

What matters to them
- Financial and non-financial support
- Time volunteered by our staff
- Education and learning opportunities
- Skills training and job creation
- Protecting the environment

How we engage
- Regular in-person meetings, telephone/conference calls and emails with our community partners
- Comprehensive community website and social media platforms to encourage participation
- Staff volunteering
- Community partners and NGOs invited to collaborate at conferences and events

FY2021 highlights
- In response to the COVID-19 pandemic, Arrival Education swiftly adapted to ensure that young people and volunteers could participate in the programme remotely. We've supported 1 876 Arrival Education learners in the UK over the past 13 years
- Provided 243 entrepreneurs with professional advice through Bromley by Bow Centre, and also provided seed funding to five new social enterprises
- 19 people involved in the Beyond Business Programme in the UK
- Provided £2 500 in funding to Routes Collective (a social enterprise empowering female refugees) for new laptops to launch their online mentoring programme
- Provided £20 000 each of seed funding to five new social enterprises
- Throughout the foodbank initiative, we helped supply 18 foodbanks across the UK with over 1.4 million items, reaching in excess of 230 000 people

£2.2mn

spent on community initiatives (2020: £1.8mn)

Further information can be found in the group's corporate sustainability and ESG supplementary report available on our website

STAKEHOLDER ENGAGEMENT
CONTINUED

Government and regulators

IBP is regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. We maintain continuous engagement with governments and regulators in our key markets to ensure our business adapts to evolving regulatory environments.

What matters to them
- Compliance with existing and evolving regulatory requirements
- Assurance that we have robust prudential standards and supervision in place
- Fair treatment of our clients and employees
- Financial and operational resilience in the face of changing market conditions
- Risk appetite and risk management
- Capital and liquidity stress testing
- Group tax strategy

How we engage
- Our Chair, CEO, executive directors and the board hold regular meetings with the UK Prudential Regulation Authority
- IW&I Head of Compliance and Risk has regular and ongoing interactions with the UK Financial Conduct Authority
- Active participation in a number of policy forums
- Engagement with industry consultative bodies

FY2021 highlights
- Accredited lender for UK government guaranteed COVID-19 lending schemes

£213mn

total loans approved under COVID-19 government lending schemes

ESG analysts and climate focused industry bodies

We are committed to supporting the transition to a clean and energy efficient economy and regularly engage with climate focused industry bodies and analysts to discuss our evolving sustainability strategy.

What matters to them
- Our climate change position statement and climate change framework
- Managing and mitigating climate change impact within our operations (direct impact)
- Indirect climate change impact through our loan book and investment portfolio
- Addressing ESG risks within our business
- Our commitment to net-zero carbon emissions
- Reporting in line with industry standards

How we engage
- Regular communications on ad-hoc topics
- Annual sustainability report
- Comprehensive sustainability website
- Comprehensive ESG disclosures
- Sustainability factsheets
- The Investec group CEO is a member of the UN Global Investors for sustainable development alliance
- Regular and active participation in a number of ESG and climate forums
- Commitment to industry standards including TCFDs and PCAF
- Regular knowledge sharing on ESG industry standards

FY2021 highlights
- Executives and non-executives attended board training on climate-related risks and opportunities
- Created a framework to link executive directors' remuneration to ESG KPIs

Net-zero

direct emissions, carbon neutrality in Scope 1 and 2 mainly through renewable electricity consumption with remaining 10% offset through purchasing carbon credits

STAKEHOLDER ENGAGEMENT
CONTINUED

Suppliers

We collaborate with suppliers and sub-contractors securely whom we expect to be resilient and to operate and behave in an environmentally and socially responsible manner.

What matters to them

- Compliance with applicable environmental, labour and anti-corruption laws and regulations
- Prompt payment practices
- Fair and transparent tender and negotiation practices
- Clear guidance on policies and procedures, such as due diligence and onboarding

How we engage

- Centralised negotiation process
- Procurement questionnaires requesting information on suppliers' environmental, social and ethical policies
- Conduct due diligence on cyber security and business continuity

FY2021 highlights

- Strengthened our group procurement policy to incorporate standards on human rights, labour rights and environmental and anti-corruption principles as set out in the UN Global Compact
- Implemented a global online supplier assessment tool and commenced screening new suppliers in February. This strengthened our screening for any human rights, labour rights, modern slavery, corruption and environmental violations within our procurement practices
- Re-evaluated existing suppliers for environmental and social criteria according to our procurement policy

All of our suppliers screened against ethical supply chain practices

STAKEHOLDER ENGAGEMENT
CONTINUED

Principal decisions

Here we outline how board engagement with stakeholders has informed principal decisions during the year.

Supporting our stakeholders through the COVID-19 pandemic
Given the far-reaching impact of the COVID-19 pandemic, the board focused on protecting the health and wellbeing of our people, and supporting our clients, communities, and other stakeholders. The board also ensured that IBP remained secure and resilient, both financially and operationally.

- The board supported the decision to commit 1% of the Investec group's pre-tax profit to COVID-19 relief efforts. Across the Investec group, support for our communities globally amounted to £2.1 million, providing financial assistance across an extensive range of causes, particularly in support of healthcare, economic continuity, education, gender-based violence and food security. Please refer to the Investec group website for details on the Investec group's COVID-19 response to helping communities
- For our clients, the board supported the decisive action taken by the Investec group to leverage the Investec group's resources to provide help. Through continuous engagement with our clients, industry bodies and regulators, we have structured different types of support to suit diverse client needs. We also collaborated with government to roll out relief schemes. By 31 March 2021, under the various government lending schemes, IBP had approved loans totalling £213 million. At the same time, the board conducted comprehensive risk reviews to understand emerging risks associated with support provided, to ensure the integrity of the balance sheet. For further details of relief measures, please refer to page 70
- For our people, given the global resurgence of waves of COVID-19 infections, the closure of offices and, in some jurisdictions, schools, as well as the implementation of stricter lockdown regulations, the board was heavily focused on the wellbeing of employees. The support we provided to employees was well organised and continuously communicated. Through continuous engagement mechanisms with our colleagues, we were able to respond to their emerging needs during this period of uncertainty
- For the organisation, the board considered what the future world of work means for IBP. As the pandemic evolves, the board is continuously monitoring people challenges, including assessing the implications of flexible working arrangements and the consequent impact on culture, talent management and morale.

Strategy in execution
The Investec group shareholders have been focused on the progress the Investec group is making in respect of the strategic objectives – with a particular interest in the performance of our UK Specialist Banking business following the losses incurred in our structured products book.

On our journey to improve shareholder returns, the board approved the decision to refocus the bank on our core domestic market and rightsize the cost base. This resulted in 194 roles being made redundant as part of the restructure programme and a complete exit from Australia. Through a variety of workforce engagement mechanisms, the board processed the reasons for the decision and informed our workforce about the impending redundancies.

The board recognises that this is our first major redundancy programme on this scale. The board will monitor the impact of this decision on the culture of the company, specifically focusing on adverse effects on talent retention. Management initiated a series of engagement activities with the remainder of the workforce to deal with concerns related to the decision. Following the engagements, work is ongoing to ensure employees are given a clear sense of purpose and understanding as to how they fit into the vision for the bank.

Our UK Specialist Banking business endured losses on the structured products book due to financial market dislocation at the onset of the COVID-19 pandemic. The board supported the decision to discontinue the issuance of retail structured products in the UK market.

Finally, the board approved the Investec group's refreshed purpose statement. In 2018, the Investec group set out to rediscover what truly inspires us as an organisation. Through multiple engagement channels across the business over a period of 18 months, our purpose, "To create enduring worth, living in, not off, society", emerged. This expresses how we view our responsibility as a business to be a good corporate citizen.

Support for tabling a climate risk-related resolution at the Investec group's 2020 AGMs
The Investec group board takes ultimate accountability for climate-related issues, supported by a DLC board-approved Social and Ethics Committee (of which IBP non-executive director, Moni Mannings is a member). This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks. With the Investec group's South African business becoming the first bank in South Africa to release a separate report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Investec group has shown that sustainability is central to the Investec group's strategic direction.

Members of the Investec group and IBP boards regularly engage with a range of stakeholders (including debt investors, ESG analysts and rating agencies) on a number of ESG and climate topics that are relevant for the business. The Investec group and IBP boards also acknowledge that climate change represents a material financial risk, and continues to oversee the evaluation of our exposure to understand and mitigate potential risks.

Through the stewardship of the global sustainability team, the Investec group engaged with the following stakeholders regarding their expectations and views on fossil fuels, climate-related issues and the need for transparent disclosure on climate-related risks and opportunities.

- Workforce engagement included conversations around implementing the Investec group's fossil fuel policy and its impact on lending and investing activities
- The Investec group actively engaged with clients to assist in transitioning to a low carbon economy, leading to the issuance of certain ESG-linked lending and investment products

STAKEHOLDER ENGAGEMENT
CONTINUED

- The Investec group met with ESG analysts, rating agencies, climate-related industry bodies, and shareholder activist organisations to ensure we remained up to date on industry trends and best practice
- The Investec group gave its shareholders the opportunity to discuss any climate-related concerns with members of the Investec group board during roadshows, and also through our Investor Relations function which received ad-hoc requests for further information.

Through these channels, the IBP board gathered that concerns were focused on board responsibility and experience around climate-related topics, transparency of climate disclosures and the impact of transitioning to a low carbon economy. The engagement activities also highlighted the importance of the issue of climate change for a number of our stakeholder groups.

Taking into account the aforementioned feedback and considering market trends, the board supported the Investec group board's decision to voluntarily table a climate risk-related resolution at the Investec group's 2020 AGMs, seeking shareholder support for Investec's continued commitment to climate change. The resolution specifically included the following commitments:

- To continue the Investec group's commitment to carbon neutrality with respect to the Scope 1 and 2 emissions of direct operations; and
- To report annually on progress made on climate-related exposures, including disclosure of the Investec group's exposure to fossil fuels and high-risk industries.

Independent governance agencies, Glass Lewis and ISS, evaluated the proposed climate risk-related resolution ahead of the AGM and commended the Investec group for its proactive approach to establishing climate-related commitments and reporting.

The Investec group's shareholders voted overwhelmingly in favour of the resolution, which passed with 99.95%, further highlighting the importance investors are placing on issues of environmental, social, and governance metrics. Just Share reported that the Investec group had set the new benchmark for climate risk disclosure.

The decision to table a climate risk-related resolution at the 2020 AGMs demonstrates the Investec group's commitment to addressing climate issues, and aligns with the Investec group's purpose of living in, not off, society.

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

Belonging, Inclusion and Diversity
The board's commitment to Belonging, Inclusion and Diversity (BID) at IBP continues to be a key strategic objective, with a particular focus on diversity of gender, ethnicity and age. Stakeholders such as our employees, debt investors, ESG analysts, and clients remain interested in our progress.

During this year in particular, where the world witnessed the tragic killing of George Floyd and the subsequent worldwide protests, organisations across the globe were challenged to address racial inequality. The board charged members of management with the responsibility of curating IBP's own response.

IBP's first response was to engage in a series of organisation-wide conversations about ethnicity. These included team-level discussions, thought leadership pieces from the Multicultural Network, and ultimately, a panel discussion titled, "Let's talk about race". The session included Q&As with members of the IBP board and Investec group board and senior management, and others involved. These conversations informed the commitments made by the board to address racial equality.

Secondly, IBP engaged with clients through round-table discussions about diversity. One such discussion was hosted on International Women's Day by the CEO of IBP, Ruth Leas, and the Chief Commercial Officer of Investec Wealth & Investment UK, Barbara-Ann King. Clients were asked to share what they had learnt about gender equality – and diversity more broadly – during the global COVID-19 pandemic. Once again, feedback from these conversations was shared with the board.

As a result of the above engagement with staff and clients, the board, in line with the board of Investec group, decided to:

- Launch a group-wide project to collect ethnicity data to determine our racial composition
- Propose appropriate internal targets to address under-representation, particularly at leadership levels
- Sign up to the Race at Work Charter in the UK
- Update the Investec group's Bullying and Harassment Policy and commit to zero tolerance of bullying and harassment
- Establish a reverse mentoring programme (to provide additional learning for ethnic minority colleagues) to leverage intergenerational wisdom, identify strategic projects and challenge our traditional ways of working;
- Focus on the United Nations Sustainable Development Goals, as they pertain to our employees, our communities and other stakeholders, with a specific emphasis on equality.

The board recognises that more has to be done to increase both gender and racial diversity, particularly at the leadership levels, in client facing roles and in decision-making forums. In addition to committing to the initiatives and actions outlined here, the board is establishing internal targets which will enable us to measure our progress.

Further information on our gender, diversity and transformation initiatives and progress can be found in the Investec group's 2021 integrated annual report as well as in the Investec group's sustainability and ESG supplementary report available on the Investec group website.

CREDIT RATINGS

In terms of our DLC structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the Investec group, namely IBP and Investec Bank Limited (IBL). Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited.

On 5 October 2020, Moody's affirmed IBP's long-term deposit rating at A1 (stable outlook) and Investec plc's rating at Baa1 (stable outlook).

On 24 July 2020, Fitch affirmed IBP's long-term Issuer Default Rating (IDR) at BBB+ and removed the Rating Watch Negative (that had been placed on IBP's ratings on 1 April 2020 following the onset of the COVID-19 pandemic) to reflect Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn. The outlook on the long-term IDR is negative to reflect the ongoing downside risks relating to COVID-19. Our ratings at 22 June 2021 were as follows:

Rating agency	Investec plc	IBP A subsidiary of Investec plc
Fitch		
Long-term ratings		BBB+
Short-term ratings		F2
Outlook		Negative
Moody's		
Long-term ratings	Baa1	A1
Short-term ratings	P-2	P-1
Outlook	Stable	Stable
Global Credit Ratings		
Long-term ratings		BBB+
Short-term ratings		A2
Outlook		Stable

Further information on Investec's credit ratings may be found on our website.

02

Financial review

FINANCIAL REVIEW

Key income drivers

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

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

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

Wealth & Investment

Key income drivers	Income impacted primarily by:	Income statement – primarily reflected as:
• Investment management fees levied as a percentage of funds under management • Commissions earned for executing transactions for clients.	• Movement in the value of assets underlying client portfolios • The level of investment activity undertaken on behalf of clients. Among other factors, this is affected by the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.	• Fees and commissions.

FINANCIAL REVIEW
CONTINUED

Specialist Banking

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

FINANCIAL REVIEW
CONTINUED

Overview
Investec Bank plc reported an adjusted operating profit of £108.3 million for the year ended 31 March 2021 (2020: £173.6 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2020.

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

1. Total operating income before expected credit loss impairment charges
Total operating income before expected credit loss impairment charges of £936.3 million was 2.2% lower than the prior year. The various components of total operating income are analysed below.

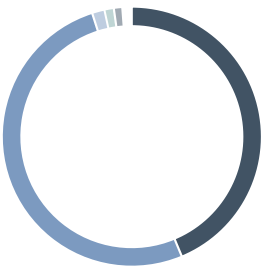
£'000	31 March 2021	% of total income	31 March 2020	% of total income	% change
Net interest income	414 091	44.2%	409 549	42.8%	1.1%
Net fee and commission income	486 470	52.0%	482 023	50.4%	0.9%
Investment income	23 820	2.5%	6 591	0.7%	>100%
Share of post taxation profit of associates and joint venture holdings	1 768	0.2%	2 128	0.2%	(16.9%)
Trading income/(loss) arising from					
– customer flow	(11 025)	(1.2%)	50 980	5.3%	(>100%)
– balance sheet management and other trading activities	11 206	1.2%	(528)	(0.1%)	(>100%)
Other operating income	10 002	1.1%	6 464	0.7%	54.7%
Total operating income before expected credit loss impairment charges	**936 332**	**100.0%**	**957 207**	**100.0%**	**(2.2%)**

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

£'000	31 March 2021	% of total income	31 March 2020	% of total income	% change
Wealth & Investment	319 519	34.1%	317 731	33.2%	0.6%
Private Banking	36 536	3.9%	25 208	2.6%	44.9%
Corporate, Investment Banking and Other	580 277	62.0%	614 268	64.2%	(5.5%)
Total operating income before expected credit loss impairment charges	**936 332**	**100.0%**	**957 207**	**100.0%**	**(2.2%)**

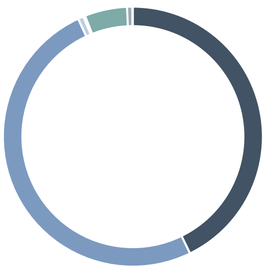
% of total operating income before expected credit loss impairment charges

31 March 2021
£936.3 million total operating income before expected credit loss impairment charges



Net interest income	44.2%
Net fee and commission income	52.0%
Investment income	2.5%
Share of post taxation profit of associates and joint venture holdings	0.2%
Trading income arising from customer flow	(1.2%)
Trading income arising from balance sheet management and other trading activities	1.2%
Other operating income	1.1%

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



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

FINANCIAL REVIEW
CONTINUED

Net interest income
Net interest income increased by 1.1% to £414.1 million (2020: £409.5 million), notwithstanding the endowment effect from lower interest rates. The increase was supported by higher average interest earning assets, including average loan book growth.

For a further analysis of interest received and interest paid refer to page 201.

Net fee and commission income
Net fee and commission income increased by 0.9% to £486.5 million (2020: £482.0 million), supported by: higher client transaction volumes for Wealth & Investment which supported strong growth in brokerage fees; organic growth in FUM and investment outperformance; and an increase in equity capital markets activity. This was offset by lower lending fees mainly due to lower corporate activity and significant non-repeat fees in the prior year.

For a further analysis of net fee and commission income refer to page 202.

Investment income
Investment income increased by >100% to £23.8 million (2020: £6.6 million) primarily due to mark-to-market gains on listed equities, fair value adjustments on certain unlisted assets, and the realised profit on sale of the Investec Australia Property Fund Limited (IAPF) management company.

For a further analysis of investment income refer to page 202.

Trading income
Trading income from customer flow netted a loss of £11.0 million (2020: income of £51.0 million). The decline was due to structured products book hedging costs of £93 million (2020: £29 million) following market dislocation and dividend cancellation.

Trading income from balance sheet management and other trading activities increased significantly to £11.2 million (2020: £0.5 million loss) as a result of improved asset values following extreme COVID-19 related volatility in March 2020.

Other operating income
Other operating income mainly consists of income earned on operating lease rentals.

Expected credit loss impairment charges
Total ECL impairment charges declined to £71.1 million (2020: £75.7 million), primarily driven by the impact of muted book growth on Stage 1 and 2 ECLs. The credit loss ratio reduced to 0.56% (2020: 0.69%), and the ECL coverage ratio of our Stage 1 loan book also decreased to 0.3% from 0.4% in the prior year.

Stage 3 gross core loans subject to ECL decreased to £332 million (2.8% of gross core loans subject to ECL) at 31 March 2021 (31 March 2020: £379 million equating to 3.3% of gross core loans subject to ECL).

Refer to pages 63 to 70 for further information on asset quality and page 203 for a breakdown of the expected credit loss impairment charges.

FINANCIAL REVIEW
CONTINUED

Operating costs

Operating costs increased by 7.2% to £757.8 million (2020: £707.0 million). This included one-off costs of approximately £26 million associated with the implementation of restructures as part of IBP's strategy to simplify and focus the business, the reorganisation of the UK bank including related redundancies and closure of operations in Australia. Fixed costs decreased, while variable costs increased, reflecting a level of normalisation in line with improving revenue trends. The cost to income ratio amounted to 80.9% (2020: 73.9%), impacted by slightly lower revenues and higher operating costs.

The various components of operating costs are analysed below:

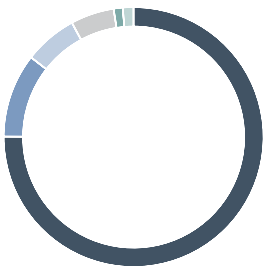
£'000	31 March 2021	% of operating costs	31 March 2020	% of operating costs	% change
Staff costs (including directors' remuneration)	569 402	75.1%	509 029	72.0%	11.9%
Premises expenses (including depreciation)	41 060	5.4%	39 886	5.6%	2.9%
Equipment expenses (excluding depreciation)	49 305	6.6%	47 840	6.8%	3.1%
Business expenses	79 324	10.5%	81 384	11.5%	(2.5%)
Marketing expenses	8 639	1.1%	17 766	2.5%	(51.4%)
Depreciation, amortisation and impairment of equipment and intangibles	10 028	1.3%	11 128	1.6%	(9.9%)
Operating costs	**757 758**	**100.0%**	**707 033**	100.0%	**7.2%**

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

£'000	31 March 2021	% of operating costs	31 March 2020	% of operating costs	% change
Wealth & Investment	245 175	32.4%	254 714	36.0%	(3.7%)
Private Banking	38 033	5.0%	43 482	6.1%	(12.5%)
Corporate, Investment Banking and Other	474 550	62.6%	408 837	57.9%	16.1%
Operating costs	**757 758**	**100.0%**	**707 033**	**100.0%**	**7.2%**

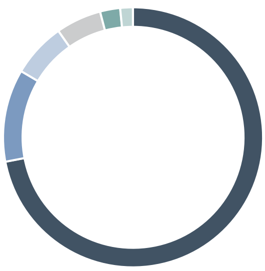
% of Operating costs

31 March 2021
£757.8 million total operating costs



Staff costs	75.1%
Business expenses	10.5%
Equipment expenses (excluding depreciation)	6.6%
Premises expenses (including depreciation)	5.4%
Marketing expenses	1.1%
Depreciation, amortisation and impairment of equipment and intangibles	1.3%

31 March 2020
£707.0 million total operating costs



Staff costs	72.0%
Business expenses	11.5%
Equipment expenses (excluding depreciation)	6.8%
Premises expenses (including depreciation)	5.6%
Marketing expenses	2.5%
Depreciation, amortisation and impairment of equipment and intangibles	1.6%

FINANCIAL REVIEW
CONTINUED

Adjusted operating profit
As a result of the foregoing factors, adjusted operating profit decreased by 37.6% from 173.6 million to £108.3 million.

Impairment of goodwill
Goodwill in relation to Investec Ireland has been written off as a result of the change in business following the Brexit impact and as such there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

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

Financial impact of strategic actions
In pursuit of IBP's objective to simplify, focus and grow the business, a number of strategic actions were effected in the prior year. Material actions included the closure of Click & Invest which formed part of the Wealth & Investment business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, and the closure and rundown of the Hong Kong direct investments business. In the current year, these strategic actions resulted in a gain of £7.4 million (2020: loss of £116.2 million) (refer to page 211 for detailed breakdown).

Taxation on operating profit before acquired intangibles and strategic actions
The effective operational tax rate amounted to 29.6% (2020: 4.4%), above the prior year largely due to the release of provisions associated with the settlement of a tax case in the prior year.

£'000	**2021**	2020	**31 March 2021 £'000**	31 March 2020 £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	29.6%	4.4 %	31 270	7 638	>100%

Balance sheet analysis
Since 31 March 2020:
- Total equity increased by 1.4% to £2.4 billion (2020: 2.3 billion), as a result of the increase in retained income.
- Total assets decreased by 0.7% to £24.4 billion (2020: £24.6 billion), as loan book growth was offset by central treasury-related balance sheet adjustments.
- Total liabilities decreased by 0.9% to £22.0 billion (2020: £22.2 billion), with growth in customer accounts (deposits) offset by reductions in other liability funding channels.

WEALTH & INVESTMENT

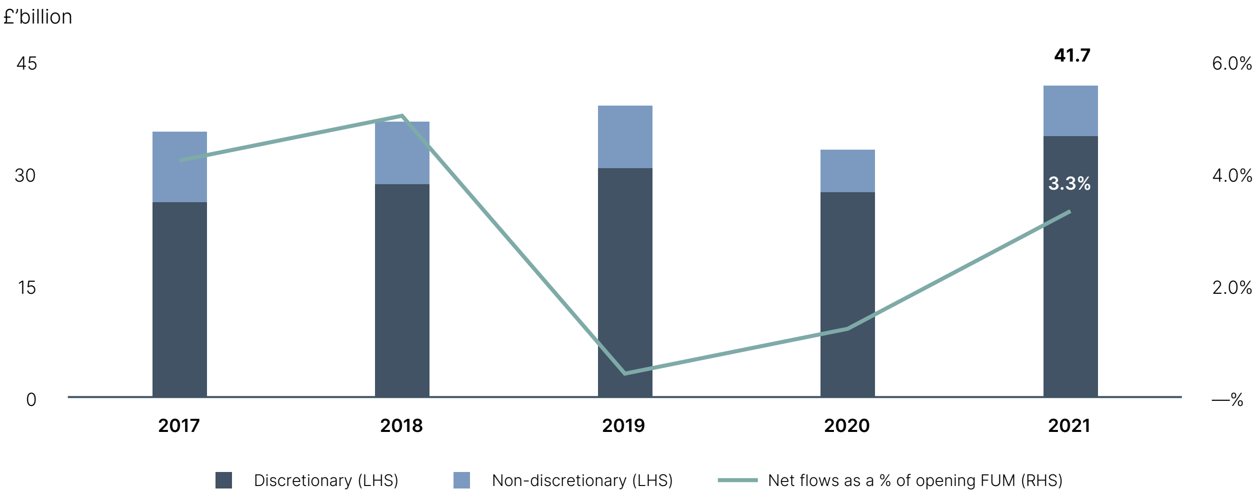
Business head
Ciaran Whelan

With over £40bn of FUM, we are one of the UK's largest wealth and investment managers. We work with individual clients to plan and manage their wealth, and with charities, trusts and clients of professional advisers to help deliver optimal returns on their investments and to bring financial peace of mind.

Performance highlights

- A strong performance has resulted in a record operating profit of £74.3mn (18.0% above the prior year)
- Record FUM of £41.7bn reflects market recovery, continued net inflows and good investment performance
- Our focus during this period of heightened uncertainty and market volatility has been to deliver the expertise and high standards of service that our clients need and expect, whilst supporting our colleagues as they transitioned to working remotely.

Funds under management and net flows



Reasons for the variance in FUM since 31 March 2020:

- Favourable market movements (MSCI PIMFA Balanced index up 19.7%) and investment outperformance
- Net inflows of £1.1 billion resulting in net organic growth in funds under management of 3.3%

Funds under management

£'million	31 March 2021	31 March 2020	% change
UK domestic (including Channel Islands)	**40 474**	**32 068**	**26.2%**
Discretionary	34 812	27 276	27.6%
Non-discretionary*	5 662	4 792	18.2%
Switzerland^	**1 210**	**1 049**	**15.3%**
Discretionary	395	323	22.3%
Non-discretionary	815	726	12.3%
Total	**41 684**	**33 117**	**25.9%**

* Non-discretionary includes advisory-managed FUM of £1 829 mn (2020: £1 766 mn). Managed funds therefore represent 91% of the UK domestic total FUM at 31 March 2021 (2020: 91%).

^ An explanation for separating the Switzerland business from the UK domestic business is provided on the next page.

Net inflows at cost over the year

£'million	31 March 2021	31 March 2020°
Discretionary	959	614
Non-discretionary	150	(130)
Total	**1 109**	**484**

° Composition of prior year total net inflows has been re-presented. This was previously disclosed as Discretionary: 546 and Non-discretionary: (62).

WEALTH & INVESTMENT
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2021	31 March 2020	Variance	% change
Net interest income	2 296	12 604	(10 308)	(81.8%)
Net fee and commission income	316 040	304 412	11 628	3.8%
Investment income/(loss)	272	(436)	708	(>100%)
Trading income arising from				
– customer flow	920	862	58	6.7%
– balance sheet management and other trading activities	(9)	108	(117)	(>100%)
Other operating income	—	181	(181)	(100.0%)
Total operating income before expected credit loss impairment charges	**319 519**	**317 731**	**1 788**	**0.6%**
Of which: UK domestic	311 576	302 257	9 319	3.1%
Of which: Switzerland* and Other**	7 943	15 474	(7 531)	(48.7%)
Expected credit loss impairment charges	(4)	1	(5)	(>100%)
Operating income	**319 515**	**317 732**	**1 783**	**0.6%**
Operating costs	(245 175)	(254 714)	9 539	(3.7%)
Of which: UK domestic	(233 100)	(234 596)	1 496	(0.6%)
Of which: Switzerland* and Other**	(12 075)	(20 118)	8 043	(40.0%)
Adjusted operating profit/(loss)	**74 340**	**63 018**	**11 322**	**18.0%**
Of which: UK domestic	78 476	67 661	10 815	16.0%
Of which: Switzerland* and Other**	(4 136)	(4 643)	507	(10.9%)
Key income drivers				
Operating margin	23.3%	19.8%		
Of which: UK domestic	25.2%	22.4%		
Net flows in FUM as a % of opening FUM	3.3%	1.2%		
Average income yield earned on funds under management^	0.85%	0.88%		
Of which: UK domestic	0.86%	0.90%		

* The results of the Switzerland business have been reported separately for the first time to demonstrate the value of the UK domestic business. Following a strategic review, our Swiss operations will be restructured in 2021 to play a key role in IBP's strategic expansion of its international banking and wealth services.

** Where 'Other' comprises the Wealth & Investment operations in Ireland (up until its sale in October 2019) and Hong Kong (up until closure in July 2019).

^ The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not adjust for the impact of market movements and investment performance throughout the period on funds under management or the timing of acquisitions and disposals (where applicable) during the respective periods.

Other factors driving the performance in the period under review included:

- Revenue was broadly flat compared to the prior year, positively impacted by organic growth in FUM in the current and prior year, increased transaction volumes and the associated repositioning of client portfolios, and negatively impacted by lower interest rates
- Operating costs decreased by £9.5 million or 3.7% due to lower discretionary expenditure and continued focus on cost containment. The cost saving was despite incurring one-off headcount reduction related costs of c.£6 million and a c.£2 million increase in the Financial Services Compensation Scheme (FSCS) levy in the UK domestic business, now costing the business c.£6.1 million a year. The cost to income ratio for the UK domestic business improved to 74.8% (2020: 77.6%).

WEALTH & INVESTMENT
CONTINUED

Strategy execution:

- **BID**: Belonging, inclusion and diversity has been at the forefront of our strategy and a key focus as we strive to improve representation. We launched a diversity data project to better understand the composition of our business and allow us to hone in on areas where more focus is needed. We have captured over 76% of ethnicity and 72% of sexual orientation data across our population of employees. We are in the process of finalising our internal targets for both gender and ethnicity, accompanied by comprehensive action plans to make sure we achieve them. As part of our drive to improve progression opportunities, particularly for women who have had career breaks, we are very excited to shortly be welcoming our new hires on our Return to Work Programme. Our newly created BID champion network comprises a group of trained colleagues committed to supporting and building an inclusive working environment.
- **Advice**: We have launched a new offering that brings together our advice and investment management solutions into a single service for both existing and new clients. This has included investment in our technology infrastructure in order to build on our existing expertise in a cost-effective and scalable way.
- **Intermediaries**: We continue to focus on serving the adviser market. The expansion of our offering to intermediaries with the launch of our platform-based Managed Portfolio Service offering has been well received.
- **Sustainability**: We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and contributing meaningfully to our people, communities and the planet in line with our core principles. Environmental, Social and Governance (ESG) considerations have long been embedded into our investment processes, as has our active engagement with the businesses that we include in client portfolios. A key step in bolstering our approach to responsible investing is our commitment to the Stewardship Code, for which our submission is awaiting approval. In addition, our people are upskilling and members of the team are engaged in specialist qualifications in this arena to improve our service to clients and increase our intellectual capital. We also have a strong organisational focus on sustainability and are making strides in reducing our carbon footprint by reducing our reliance on paper and communicating with clients electronically.
- **Client focus**: The new Investment Management team focused on the Bank's HNW client sectors is in place and making inroads into addressing the wealth management needs of HNW clients who are existing clients of the Bank.
- **Engagement**: This year has seen material changes in our senior management team, allowing us to unlock our next level of talent, including new appointments into senior roles. In times of uncertainty, engagement with our workforce is more critical than ever. We've conducted significant engagement and listening programmes across the organisation, culminating in a review of our culture.

Growth opportunities and outlook:

- Further expanding our advice capability is key to our growth strategy and will allow us to meet the growing need for more holistic, advice-led services. Our investment in technology will ensure that we do this in a cost-effective and scalable way.
- The enhancement of our ESG offering is a significant focus for the year ahead. ESG is increasingly important for clients, particularly those in the next generation.
- We are maintaining our disciplined approach to cost control and believe the business is well placed to capitalise on growth opportunities as the operating environment improves.

SPECIALIST BANKING OVERVIEW

Following a review of the group's segmental disclosure, the Specialist Banking business segment has been disaggregated to reflect the underlying client franchises residing within the Specialist Bank, namely: (1) Private Banking, and (2) Corporate, Investment Banking and Other.
Commentary on these segments is provided on the following pages. The information below is an overview of the Specialist Banking business as a whole.

Business head
Ruth Leas

Awards

"Lender of the Year" at the 2020 Private Equity Awards

"Large Loans Mortgage Lender of the Year" at the 2021 Mortgage Awards for the 3rd consecutive year

Highlights

Adjusted operating profit
£34.0mn
(2020: £110.6mn)

Net core loans
£12.3bn
(2020: £11.8bn)

Cost to income
83.0%
(2020: 70.8%)

Credit loss ratio
0.56%
(2020: 0.69%)

Diversified loan book by risk category: Core loans

£12.3 billion

Corporate and other lending	**50%**
Asset finance	16%
Corporate and acquisition finance	11%
Fund finance	10%
Other corporate and financial institutions and governments	6%
Power and infrastructure finance	4%
Asset-based lending	3%
Resource finance	0.2%
Lending collateralised by property	**17%**
Commercial real estate	11%
Residential real estate	6%
High net worth and other private client lending	**33%**
Mortgages	26%
HNW and specialised lending	7%

Highlights: Sustainability
- Maintained our net-zero direct (Scope 1 and 2) carbon emissions status for the third consecutive year
- Launched one of the first European mid-market ESG-linked subscription lines to the value of €600 million to a leading European investment group
- Continued to play a key role in supporting the carbon transition by financing a number of significant renewable energy transactions.

Highlights: Belonging, Inclusion and Diversity (BID)
- Reduced our gender pay gap for the third consecutive year, with planned strategies and actions to drive the increase of female representation at senior levels
- Signed up to the UK Race at Work Charter
- Established a Young Leaders Council
- Launched a group-wide project to collect ethnicity data to determine our racial composition and set appropriate targets to address under-representation and to track progress.

PRIVATE BANKING

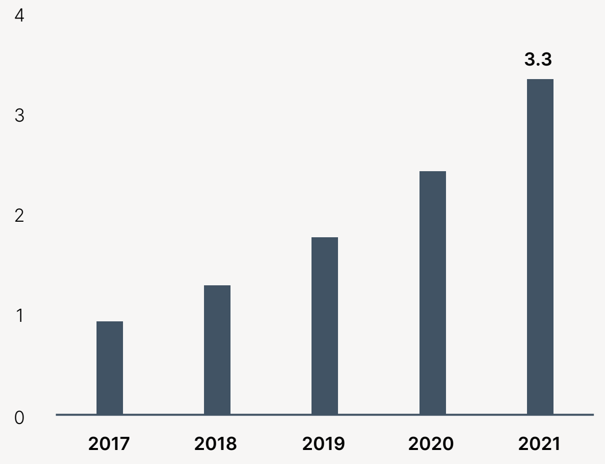
Our Private Banking business focuses on providing bespoke solutions underpinned by in-depth knowledge and understanding of our clients' aspirations and goals, supported by a broad private banking offering. We understand that every client is an individual, and that they are often active wealth creators with complex financial needs. This segment predominantly comprises lending to HNW clients; primarily residential mortgages.

Performance in the period under review

- The business had a very successful trading period in terms of loan origination, FX flows and client acquisition, and we remain ahead of original growth and scale plans despite the COVID-19 environment and associated challenges.
- Higher net interest income supported a year-on-year revenue increase of £11.3 million (44.9%). Strong loan book growth offset the impact of lower interest rates.

Loans and advances to customers

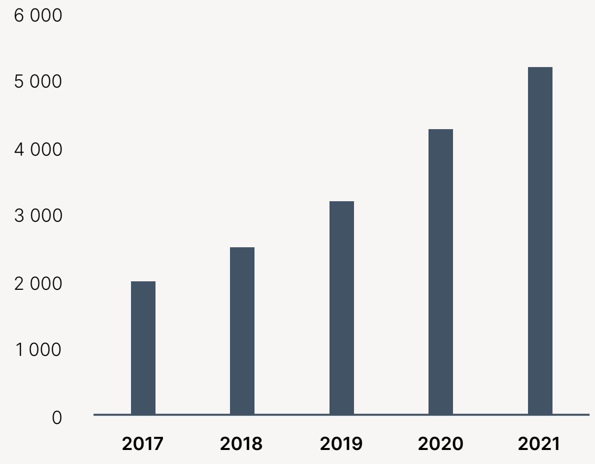
£'billion



Strong loan book growth:

- Strong growth in the loan book (up 37.2% since 31 March 2020) was supported by client acquisition (in line with strategy) and new lending turnover
- The business also capitalised on a marked pick-up in demand for residential mortgages, driven by the COVID-19 related Stamp Duty relief in the UK
- In line with our strategic objective to grow the Private Banking business, the loan book has grown at a compound annual growth rate of 35.2% over the past four years

HNW client acquisition



Continued success in client acquisition:

- Despite the challenges of the COVID-19 environment, the Private Banking business reported net client acquisition, growing the client base by c.21% (acquiring an additional c.900 clients)
- Our clients have an average income of £700,000+ and average NAV of £11.5m – well above our quantitative criteria
- HNW mortgage lending is focused on target clients with lending in established areas (London and the South East) with recourse to the individual and high level of cash equity contributions into transactions.

Note: In addition to these client figures, our Channel Islands business has c.800 HNW clients. In aggregate, we are trending towards our target of at least 6,500 HNW clients by March 2022.

Strategy execution:

- We are successfully executing on our HNW client acquisition strategy, and this is translating into strong growth in HNW mortgage lending. This HNW client activity also connects to the rest of the client ecosystem, with close and positive relationships enabling us to win mandates in other areas.
- During the period, over 300 referrals were made to the other UK businesses, with 40% conversion resulting in over £100mn in incremental FUM and loans.
- We continue to collaborate with our Wealth & Investment business to integrate and provide a new HNW Wealth proposition – areas of overlap have been identified, bringing opportunities to realise both client revenue and cost synergies. There are also ongoing efforts across the private banking ecosystem to continue offering South African clients a unique international proposition.

PRIVATE BANKING
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2021	31 March 2020	Variance	% change
Net interest income	34 664	23 441	11 223	47.9%
Net fee and commission income	644	333	311	93.4%
Investment income	19	—	19	100.0%
Trading income arising from				
– customer flow	1 196	1 433	(237)	(16.5%)
– balance sheet management and other trading activities	13	1	12	>100%
Total operating income before expected credit loss impairment charges	**36 536**	**25 208**	**11 328**	**44.9%**
Expected credit loss impairment charges	(1 515)	(643)	(872)	>100%
Operating income	**35 021**	**24 565**	**10 456**	**42.6%**
Operating costs	(38 033)	(43 482)	5 449	(12.5%)
Adjusted operating loss	**(3 012)**	**(18 917)**	**15 905**	**84.1%**
Key income drivers				
Cost to income ratio	104.1%	172.5%		
Growth in loans and advances to customers	37.2%	37.7%		

Other factors driving the performance in the period under review included:

- The business reduced its adjusted operating loss by £15.9 million compared to the prior year. The net loss reduced to £3.0 million (2020: £18.9 million) as we scaled up and leveraged the investment in the business, bringing us closer to breaking even.
- ECL impairment charges for the period increased to £1.5 million (2020: £0.6 million) as a result of loan book growth. The credit loss ratio on this book is c.5bps, indicative of the quality of the underlying franchise. Refer to page 63 for further information on IBP's asset quality.
- Operating costs decreased by £5.4 million or 12.5%, reflecting lower discretionary spending during the COVID-19 environment and heightened focus on cost control. The prior period also included higher investment spend related to scaling the business.

Growth opportunities and outlook:

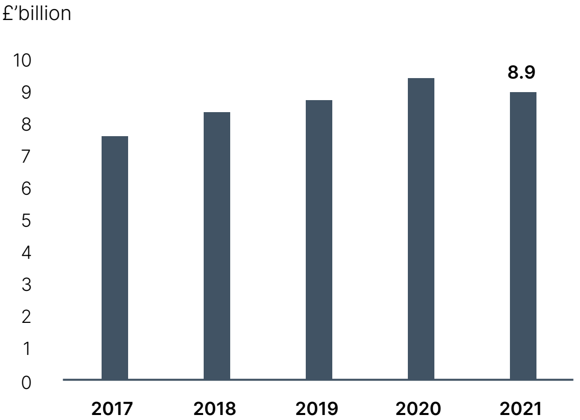
- Despite the constraints brought by the COVID-19 pandemic, our HNW mortgage lending is on track to achieve the milestones set at the Capital Markets Day in February 2019 (£3 billion in mortgage book turnover by March 2022)
- The Private Banking business is expected to breakeven in FY2022 as we continue to build scale and relevance, and generate increased annuity income for IBP
- We continue to focus on providing our clients with an integrated banking and wealth management offering – a holistic proposition for our HNW clients' growth journeys.

CORPORATE, INVESTMENT BANKING AND OTHER

This segment comprises businesses that provide capital, advisory and risk management services to growth-orientated corporate clients in the private companies, private equity and listed companies arenas, including specialist sector-focused expertise. This segment also comprises our central treasury and liability management channels.

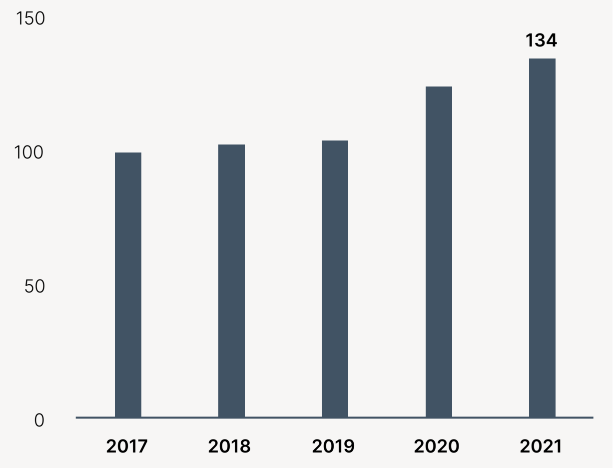
Performance in the period under review
- Resilient performance demonstrates the strength of our underlying client franchises
- A greater proportion of capital light income was earned, supported by strong equity capital markets fees
- Subdued client activity impacted income from certain lending activities, as corporates were cautious during the first half of the financial year
- Trading income continued to be negatively impacted by elevated risk management and risk reduction costs on hedging the structured products book.

Loans and advances to customers



Subdued corporate lending activity:
- While there was good client activity in certain corporate lending areas, particularly in Fund Solutions, Asset finance, and Power and Infrastructure finance, this was largely offset by redemptions and lower originations year on year due to the uncertain economic backdrop
- In March 2021, as a result of IBP's strategic decision to exit its Australian operations and focus on the UK, the c.£400mn Australian corporate lending portfolio was sold, reducing the closing loan book
- There was marginal book growth excluding the Australian loan book.

Growth in listed corporate clients



Strong franchise for listed corporate clients:
- Top-ranked UK broker
- Differentiated by breadth of capabilities
- c.40% are multi-product Investec clients

Extel 2020 research rank
#1
in 7 out of 14 sectors covered

Winner
Best Leasing and Asset Finance Provider

Best Business FX provider*

Winner
Corporate Broker of the Year**

UK public takeovers rank
#2
for 10 years to Dec 2020^

Net increase in broking clients
+24
since 1 April 2020

13 years in asset finance lending £5.8bn to
70,000+
UK customers

340
real estate deals closed in last 5 years with £6bn value

£3.5bn
equity raised for clients since March 2020

* Business MoneyFacts Awards 2021
** GlobalCapital Awards 2020 and 2019
^ Equity value of transactions up to £1bn

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2021	31 March 2020	Variance	% change
Net interest income	377 131	373 504	3 627	1.0%
Net fee and commission income	169 786	177 278	(7 492)	(4.2%)
Investment income	23 529	7 027	16 502	>100%
Share of post taxation profit of associates and joint venture holdings	1 768	2 128	(360)	(16.9%)
Trading income arising from				
– customer flow	(13 141)	48 685	(61 826)	(>100%)
– balance sheet management and other trading activities	11 202	(637)	11 839	(>100%)
Other operating income	10 002	6 283	3 719	59.2%
Total operating income before expected credit loss impairment charges	**580 277**	**614 268**	**(33 991)**	**(5.5%)**
Expected credit loss impairment charges	(69 615)	(75 064)	5 449	(7.3%)
Operating income	**510 662**	**539 204**	**(28 542)**	**(5.3%)**
Operating costs	(474 550)	(408 837)	(65 713)	16.1%
Operating profit before goodwill, acquired intangibles and strategic actions	**36 112**	**130 367**	**(94 255)**	**(72.3%)**
Profit attributable to non-controlling interests	861	(864)	1 725	(>100%)
Adjusted operating profit	**36 973**	**129 503**	**(92 530)**	**(71.5%)**
Key income drivers				
Cost to income ratio	81.7%	66.7%		
Growth in loans and advances to customers	(4.6%)*	7.8%		

* Growth in loans and advances to customers for FY2021 was negatively impacted by the sale of the c.£400mn Australian loan book in March 2021.

Other factors driving the performance in the period under review included:

- Net interest income was slightly up, benefiting from a higher average loan book. This was offset by a lower net interest margin due to lower interest rates and assets repricing ahead of liabilities post rate cuts
- Despite strong equity capital markets fees, net fees and commission income decreased due to the non-repeat of significant deal fees in Aviation and Power and Infrastructure Finance in the prior period
- Investment income was significantly higher than the prior period, largely driven by: fair value gains on listed and unlisted equities, the profit on sale of the IAPF management company, and a gain of £13 million recognised from the formation of a joint venture with State Bank of India
- Trading income from customer flow was impacted by £93 million of risk management and risk reduction costs related to the structured products book (2020: £29 million). As guided in the group's results announcement, we expect these costs to be approximately £30 million in FY2022
- Trading income from balance sheet management and other trading activities was up £11.8 million mainly due to improved asset values following the extreme COVID-19 related volatility in the fourth quarter of the prior year
- The increase in other operating income of £3.7 million was mainly driven by higher income earned on operating lease rentals in our Aviation business
- ECL impairment charges were £5.4 million lower than the prior period, mainly driven by the non-repeat of an ECL impairment charge related to a single name transaction impacted by the COVID-19 pandemic in the prior year. Refer to page 63 for further information on IBP's asset quality
- The 16.1% increase in operating costs includes one-off costs associated with restructures implemented in the period and increased variable remuneration reflecting improved business momentum. Fixed costs were lower than the prior period, driven by reduced discretionary spend and continued focus on cost discipline.

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Strategy execution:

- Significant operational change was effected during the period to simplify and focus the business, with a new 'go-to-market' strategy centred on a One Investec proposition for clients. This has led to a significant increase in the number of clients using multiple Investec products
- We established a leaner cost base through integrating business enablement functions and leveraging lower-cost jurisdictions
- Internationally, we implemented a joint venture with the State Bank of India to leverage their scale and effect cost efficiencies. Our exit from Australia enhances focus on building scale and relevance in our core market of the UK
- We supported our clients through the crisis as an accredited lender of the government lending schemes (CBILS, CLBILS, and BBLS) and raising £3.5bn in equity capital
- To facilitate off-balance sheet growth and generate capital light earnings, we launched our inaugural debt fund (a discretionary direct lending fund with capital commitments of €165m)
- We launched digital retail savings to reduce the cost of funding and broaden our retail funding base.

Growth opportunities and outlook:

- A rebound in economic and client activity has supported steady deal flow and a strong pipeline in certain lending areas
- We expect a significant increase in private equity activity as the UK enters a phase of economic growth that is expected to be the strongest in over 70 years
- We continue to focus on growing capital light earnings through advisory fees in public and private markets, as well as growing the corporate brokerships and research client base
- We continue to leverage opportunities arising from the increased focus on ESG / Sustainability, through renewable energy financing and innovative debt structuring
- We will fund off-balance sheet growth and generate further capital light revenue by raising additional third-party capital through funds and syndication
- Our breadth of products that are relevant across our clients' growth journeys will lead to an ever-increasing number of clients utilising multiple Investec products
- We have entered into international partnerships in Continental Europe and the USA to expand our cross border M&A advisory services.

03

Risk management and environmental, social and governance (ESG)

RISK MANAGEMENT

Overview of disclosure requirements
The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report on pages 59 to 107 with further disclosures provided within the annual financial statements section on pages 168 to 299.

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

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

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

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

A summary of the year in review from a risk perspective
The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework which is assessed with consideration of prevailing market conditions and overall Investec group strategy. The primary aim is to achieve a suitable balance between risk and reward in our business. Although the macro-environment during the year continued to present challenges due to the COVID-19 pandemic, the bank was able to maintain sound asset performance and risk metrics throughout the year in review.

We are comfortable that we have a strong balance sheet with high levels of liquidity, strong capital and low leverage as well as established risk management processes and systems in place to navigate through this period of uncertainty.

In the first quarter of 2020, the COVID-19 pandemic combined with an oil price shock stunned global markets resulting in unprecedented market dislocations. Since then we have seen multiple social containment measures in the UK, as well as in many countries across the world and significant levels of uncertainty. Offset against this, there have been unprecedented levels of government support provided and a number of vaccines developed late in 2020 that are now being rolled out worldwide.

Additionally, the conclusion of Brexit late in December 2020 provided some certainty and we have sought to adapt to the new legal and regulatory landscape. Activity levels as a result have picked up, particularly in the second half of the financial year as clients have been in a position to make investment decisions given the greater macro-economic certainty that exists, albeit maintaining a cautious approach.

IBP's long-term Moody's deposit rating is A1 (stable outlook), in line with the prior year. IBP's long-term Fitch rating is BBB+ (negative outlook). The negative outlook is improved from a Rating Watch Negative assigned by Fitch in April 2020 as a result of the heightened risk from the global COVID-19 pandemic. Following review by Fitch, the Rating Watch was removed and the BBB+ rating affirmed reflecting Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn given IBP's sound underlying metrics.

The bank's net core loan book increased by 4.0% to £12.3 billion. On 8 December 2020 the group announced its exit from Australia to focus on building scale and relevance in its core market in the UK. The wind down of this business is underway and the sale of c.£400 million of the corporate lending portfolio took place in March 2021, which has substantially reduced the bank's remaining exposure to this geography. Further exits are anticipated in the coming months and all remaining exposures will form part of the UK managed portfolio going forward upon closure of the Australian branch.

Growth in net core loans was driven by the residential mortgage portfolio and other high net worth lending as we gained good traction in our Private Banking strategy as well as selective lending collateralised by property. Corporate client lending portfolios saw good activity albeit limited net book growth and were impacted by the exit of the Australian business including the sale of certain corporate loans in the period.

Credit exposures are focused on secured lending to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continued to favour lower risk, income-based lending, with exposures well collateralised and with credit risk taken over a short to medium term. Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a limited proportion of net core loans. The bank's net core loan exposures remain well diversified with commercial rent producing property loans comprising approximately 9.3% of net core loans, other lending collateralised by property 7.5%, high net worth and other private client lending 33.0% and corporate and other lending 50.2% (with most industry concentrations well below 5%).

At 31 March 2021 our exposure to sectors considered vulnerable to COVID-19 totalled £1.2 billion or 9.6% of gross core loans. This is predominantly through our global aviation finance business (3.1% of gross core loans) and the UK focused high volume small ticket asset finance business lending to SMEs and corporates (2.6% of gross core loans). These businesses have performed well to date considering the substantial economic disruption caused by the pandemic. We remain confident that we have a well-diversified portfolio across sectors. Government stimulus and support measures have mitigated the impact on vulnerable sectors to date but we continue to monitor these sectors closely for signs of stress.

Asset quality metrics reflect the solid performance of core loans to date. The credit loss ratio remains elevated from pre-pandemic levels; however, this is predominantly driven by provisioning on the performing book to take into account forward-looking macro-economic scenarios as required by IFRS 9. The credit loss ratio was calculated at 0.56% at 31 March 2021, above pre COVID-19 level of 0.34% for the year to 31 March 2020 (albeit down from the reported post COVID-19 31 March 2020 level of 0.69% which takes into account the impacts of COVID-19, including a single name transaction impacted by the COVID-19 pandemic and deteriorated global economic environment).

RISK MANAGEMENT
CONTINUED

Stage 3 exposures totalled £332 million at 31 March 2021 or 2.8% of gross core loans subject to ECL (31 March 2020: 3.3%). Stage 3 exposures are well covered by ECL provisions. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans subject to ECL amounted to 2.0% (31 March 2020: 2.4%). Stage 3 exposures in the Ongoing book (excluding Legacy) reduced to £231 million or 1.9% of gross core loans subject to ECL at 31 March 2021 (31 March 2020: 2.2%) due to a number of successful exits from existing Stage 3 positions offset by limited new defaults. These exposures are adequately provisioned. Legacy exposures have reduced by 24% since 31 March 2020 to £84 million (net of ECL) at 31 March 2021 and now comprise only 0.7% of net core loans. These assets were substantially impaired and are largely reported under Stage 3.

Stage 2 exposures increased to £1 238 million or 10.3% as a proportion of gross core loans subject to ECL at 31 March 2021 (31 March 2020: 5.1%), as a result of the worsened economic environment resulting in an increased proportion of the portfolio that has been subject to a significant increase in credit risk since origination. There are currently no significant underlying credit concerns related to this increase and we continue to monitor these Stage 2 exposures closely. We anticipate that an improvement in economic conditions and increased certainty with respect to the pandemic would result in a reduction in Stage 2 exposures.

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under IFRS 9 are highlighted in this document and are subject to robust governance processes. The bank applies the IFRS 9 transitional arrangements (including COVID-19 ECL add-backs) to regulatory capital calculations to absorb the impact permissible of IFRS 9 over time.

Assessing the forward-looking impact of COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Management performed extensive benchmarking of credit loss ratios, macro-economic scenarios applied and the coverage ratios against UK banks. It was concluded that the ECL position appeared reasonable in comparison to industry peers. The extreme and unprecedented economic conditions identified limitations in aspects of our model design and calibration. The model methodology itself was therefore reviewed and adjusted to ensure the output of the models reflected the ongoing uncertainty in the economic environment whilst we continued to rely on the bank's internal models where relevant. A £16 million ECL overlay was applied to the Stage 2 portfolio to capture latent risk in the portfolio not yet identified in the models.

In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

In line with regulatory and accounting bodies' guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. We have structured different types of support to most appropriately suit diverse client needs. COVID-19 relief measures currently in place have reduced substantially from a peak of 13.7% of gross core loans at end June 2020 to £342 million or 2.7% at 31 March 2021, of which £251 million are assets reported in Stage 1.

Trading income continued to be negatively impacted by risk management and risk reduction costs in our structured product book of £93 million in the year to 31 March 2021. Extreme market movements, dividend cancellations and a lack of trading liquidity were the primary causes of these costs. Risk reduction trades combined with a reduction in the size of the structured products book substantially reduced risk management costs in the last quarter of the financial year. Furthermore, the implementation of a macro hedge has provided downside protection in the event of another extreme market dislocation. For the 2022 financial year we expect these costs to be approximately £30 million. This guidance is subject to various assumptions which, if altered, may result in a different outcome to management expectations. At 31 March 2021, the 95% one-day Value at Risk (VaR) measure was £0.5 million, substantially reduced from £1.5 million at 31 March 2020.

The investment portfolio remained static during the year under review at £351 million. Our investment portfolio exposure is in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises.

The bank continued to maintain a sound balance sheet with a low gearing ratio of 10.3 times and a core loans to equity ratio of 5.2 times at 31 March 2021. The bank's leverage ratio was 8.0% ahead of the minimum 6% target level.

We maintain an Investec group target Common Equity Tier 1 (CET1) ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The bank is on the standardised approach for capital. The CET 1 ratio was 11.8% at 31 March 2021 in excess of regulatory minimums and ahead of our Investec group target.

In March 2021, the Bank of England (BoE) re-confirmed the preferred resolution strategy for the bank as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has set IBP's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its total regulatory capital requirements.

Investec plc's Pillar 2A requirement expressed as a percentage of RWAs at 31 March 2021 reduced to 0.83% of RWAs (of which 0.47% has to be met with CET1 capital) down from 1.12% at 31 March 2020 as a result of a number of regulatory changes. The changes have resulted in a lower CET1 regulatory minimum for Investec plc and IBP, increasing our regulatory capital surplus.

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continued to maintain a low reliance on interbank wholesale funding to fund core lending asset growth. A strong liquidity position continued to be maintained throughout the year primarily supported by growth in retail customer deposits. Cash and near cash balances amounted to £6.9 billion at 31 March 2021 (31 March 2020: £6.0 billion). Average cash balances remained high as we maintained a conservative position holding higher levels of cash balances due to the onset of the COVID-19 pandemic.

Customer accounts (deposits) totalled £16.2 billion at 31 March 2021 (31 March 2020: £15.5 billion). A new digital offering was successfully launched during the year with strong uptake from retail clients, which substantially reduces the operational cost of deposit raising for these products.

RISK MANAGEMENT
CONTINUED

Loans and advances to customers as a percentage of customer deposits remained conservative at 75.8%. The bank comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). For IBP (solo basis) the LCR and NSFR are calculated using the relevant EU regulation, applying our own interpretations where required. The LCR reported to the PRA at 31 March 2021 was 475%. The LCR ratio reported at 31 March 2021 was elevated by the sale of the Australian corporate loans. Excluding the sale the LCR would be 330%. The internally calculated NSFR was 126% for IBP (solo basis) at 31 March 2021. These may change over time with regulatory developments and guidance.

Looking forward, the focus remains on having an optimised funding mix through the retail market, in line with the bank's strategic objectives as well as selectively using wholesale funding to lengthen the book. We have access to the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks across our businesses. Countering financial and cyber crime are high priorities, and the bank continually aims to strengthen and test systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption. The operational response of our business to remote working continues to be effective and has enabled a seamless continuation of service to our clients.

The bank operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the bank is involved in disputes and legal proceedings which arise in the ordinary course of business. The bank evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

The bank's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key vulnerabilities under stress. A fundamental part of the stress testing process is a full and comprehensive analysis of the bank's material business activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to proactively identify underlying risks and manage them accordingly. During the year, a number of stress scenarios were considered and incorporated into our processes including for the assessment of the impact of COVID-19 and negative interest rates.

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

Supported by a strong capital base and high levels of liquidity, the bank has navigated the unusual and unprecedented economic and market conditions as a result of the COVID-19 pandemic well. Profitability has been impacted; however, the fundamental risk performance remains strong, reflecting the sound underlying balance sheet going into the pandemic. The risk outlook remains uncertain, although we are comfortable that we are well placed to progress in the next financial year given the current levels of provisioning and management actions taken to reduce risks across the bank in the year to 31 March 2021.

Management is focused on maintaining the integrity of our balance sheet through continuous oversight of credit, liquidity and capital risk with ongoing stress testing, scenario modelling and client engagement. We continue to support our clients during this ongoing period of uncertainty and, going forward, as the economic environment improves.

SALIENT FEATURES

Salient features

A summary of the key risk indicators are provided in the table below:

	31 March 2021	31 March 2020**
Net core loans (£'million)	12 311	11 832
Total assets (£'million)	24 396	24 571
Total risk-weighted assets (£'million)	15 789	15 808
Total equity (£'million)	2 365	2 331
Cash and near cash (£'million)	6 857	6 040
Customer accounts (deposits) (£'million)	16 241	15 506
Loans and advances to customers as a % of customer deposits	75.8%	76.3%
Structured credit as a % of total assets	2.4%	2.1%
Banking book investment and equity risk exposures as a % of total assets	1.6%	1.6%
Traded market risk: 95% one-day value at risk (£'million)	0.5	1.5
Core loans to equity ratio	5.2x	5.1x
Total gearing ratio*	10.3x	10.5x
Return on average assets#	0.25%	0.64%
Return on average risk-weighted assets#	0.38%	0.98%
Stage 3 exposures as a % of gross core loans subject to ECL	2.8%	3.3%
of which Ongoing (excluding Legacy) Stage 3##	1.9%	2.2%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.0%	2.4%
Credit loss ratio	0.56%	0.69%
Level 3 (fair value assets) as a % of total assets	6.7%	6.9%
Total capital ratio^	16.4%	16.5%
Tier 1 ratio^	13.4%	13.1%
Common Equity Tier 1 ratio^	11.8%	11.5%
Leverage ratio^	8.0%	8.0%
Leverage ratio (fully loaded)^	7.7%	7.8%

* Total assets to total equity.
^ As defined on page 104.
\# Average balances are calculated on a straight-line average.
\## Refer to definitions of page 301.
** Restated as detailed on page 292.

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised below with further information pertaining to the management and monitoring of these principal risks shown in the references provided.

The board, through its various sub-committees, has performed a robust assessment of these principal risks and regular reporting of these risks is made to the board.

The board recognises that, even with sound appetite and judgement, extreme events can happen which are completely outside of the board's control. It is, however, necessary to assess these events and their impact and how they may be mitigated by considering the risk appetite framework. It is the bank's policy to regularly carry out multiple stress testing scenarios which, in theory, test extreme but plausible events and from that, assess and plan what can be done to mitigate the potential outcome.

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

The levels of defence model is applied as follows:

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

Risk appetite

The bank has a number of board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite statement and framework set out the board's mandated risk appetite. The risk appetite framework acts as a guide to determine the acceptable risk profile of the bank whilst keeping in line with the Investec group's risk appetite parameters. The risk appetite statement ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities.

The risk appetite framework is a function of business strategy, budget and capital processes, our stress testing reviews and the regulatory and economic environment in which the bank is operating. The risk appetite framework is reviewed (in light of the above aspects) and approved by the board at least annually or as business needs dictate.

A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the IBP Board Risk and Capital Committee (IBP BRCC) and board as well as the DLC BRCC and DLC board. In the section that follows, the bank's high-level summary of overall risk tolerance and positioning has been detailed against the respective principal risks.

PRINCIPAL RISKS
CONTINUED

Credit and counterparty risk

Principal risk description	Risk management and key mitigating actions	
Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the bank, arising when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet **Link to strategy** Capital discipline Growth initiatives	• Independent credit committees exist which also have oversight of regions where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures • There is a high level of executive involvement in decision-making with non-executive review and oversight • Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, small and medium-sized enterprises, financial institutions and sovereigns • Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term • Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets • Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.	
Further information	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Read more on pages 59 to 79	We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to £120 million. We also have a number of risk tolerance limits and targets for specific asset classes.	We maintained this risk tolerance level throughout the year.
	We target a credit loss ratio of less than 0.5% (less than 1.75% under a weak economic environment/stressed scenario). We target Stage 3 net of ECL as a % of net core loans subject to ECL to be less than 2% (excluding the legacy portfolio; less than 4% under a weak economic environment/stressed scenario). We target Stage 3 net of ECL as a % of CET1 less than 25%.	We currently remain within all tolerance levels given the current weakened economic environment. The credit loss ratio was calculated at 0.56% for 31 March 2021 (31 March 2020: 0.69%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.4% (excluding the Legacy portfolio). Stage 3 net of ECL as a % of CET1 is 12.4%.

PRINCIPAL RISKS
CONTINUED

Country risk

Principal risk description	Risk management and key mitigating actions
Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments	• Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before • The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance • In certain cases, we may make use of political risk insurance to mitigate exposure where deemed necessary.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Growth initiatives **Further information** Read more on page 60	We have a preference for primary exposure in the bank's main operating geography (i.e. the UK). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client.	We maintained this risk tolerance level in place throughout the year.

Environmental, social and governance (ESG) risk and climate risk

Principal risk description	Risk management and key mitigating actions
The risk that our lending and investment activities give rise to unintended environmental (including climate change), social and economic consequences	• Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment, includes our many community activities and is based on a broader responsibility to our environment and society • Accordingly, sustainability risk considerations are considered by the relevant credit committee or investment committee when making lending or investment decisions • There is also oversight by the group ESG Executive Committee and the Social and Ethics Committee on general ESG issues, including climate-related impacts • The group ESG Executive Committee coordinates general ESG efforts, including climate-related risks and opportunities across geographies and businesses from both a strategy and policy perspective.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Growth initiatives Greater connectivity **Further information** Read more on pages 60 and 82 and refer to our 2021 group sustainability and ESG supplementary report on our website	We take a cautious approach with respect to industries that are known to damage the environment. We made our group fossil fuel policy public on 31 March 2020. Financial risk from climate change is a highly important topic which helps to inform decisions. We acknowledge that our approach is still work in progress and will continue to develop this over time.	We maintained this risk tolerance level in place throughout the year.

PRINCIPAL RISKS
CONTINUED

Investment risk

Principal risk description	Risk management and key mitigating actions
Investment risk in the banking book arises primarily from the bank's investment (private equity) and property investment activities, where the bank invests in largely unlisted companies and select property investments, with risk taken directly on the bank's balance sheet	• Independent credit and investment committees exist in the UK which provide oversight of regions where we assume investment risk • Risk appetite limits and targets are set to limit our exposure to equity and investment risk • As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline Growth initiatives **Further information** Read more on page 83	We have moderate appetite for investment risk, and set a risk tolerance of less than 27.5% of CET1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio amounted to £341 million, representing 18.2% of CET1.

Market risk in the trading book

Principal risk description	Risk management and key mitigating actions
Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market factors such as interest rates, equity prices, commodity prices, exchange rates, credit spreads and the underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses	• To identify, measure, monitor and manage market risk, we have independent market risk management teams • The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow • Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets • Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), stressed VaR (sVaR), expected shortfall (ES) and extreme value theory (EVT). Stress and scenario analyses are used to add insight to possible outcomes under severe market disruptions.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 85 to 88	Market risk arises through our trading activities primarily focused on supporting client activity. Appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £5 million. Additionally, we have reduced stress scenario loss limits as a result of the effects of the extreme market volatility experienced in March 2020 on the structured products book.	We met these internal limits; one-day 95% VaR was £0.5 million 31 March 2021.

PRINCIPAL RISKS
CONTINUED

Liquidity risk

Principal risk description	Risk management and key mitigating actions
Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events	• Each geographic entity must be self-sufficient from a funding and liquidity standpoint • Our banking entity in the UK is ring-fenced from the Investec group's banking entity in South Africa and is required to meet the UK regulatory liquidity requirements • Investec plc undertakes an annual Internal Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards • We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows • The maintenance of sustainable prudent liquidity resources takes precedence over profitability • We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency • Our core loans must be fully funded by stable funding • The bank does not rely on committed funding lines for protection against unforeseen interruptions to cash flow • The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruptions • Daily liquidity stress tests are carried out.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 89 to 96	We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%.	Total cash and near cash balances amounted to £6.9 billion at year end representing 42.2% of customer deposits.

Non-trading interest rate risk

Principal risk description	Risk management and key mitigating actions
Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity. **Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services**	• The daily management of interest rate risk in the banking book is centralised within the Treasury of each geographic entity and is subject to local independent risk and Asset and Liability Committee (ALCO) review • Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and the ALCO • Each banking entity has its own board-approved non-trading interest rate risk policy and risk appetite, which is clearly defined in relation to both income risk and economic value risk. The policy dictates that long-term (>one year) non-trading interest rate risk is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items • Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 93 to 96	A movement in rates can result in a negative impact on revenues across the banking industry. This risk is managed within the bank's risk appetite framework as a proportion of capital in order to limit volatility.	The bank is within these tolerance metrics. We have undertaken analysis detailing the potential impact of negative rates. Firm wide review of systems and processes concluded that the bank is broadly equipped to manage negative interest rates from an operational perspective.

PRINCIPAL RISKS
CONTINUED

Capital risk

Principal risk description	Risk management and key mitigating actions	
The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the bank	• The bank undertakes an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements • A detailed assessment of the regulatory and internal capital position of each group is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is prepared at the consolidated Investec plc level and incorporates the bank. The document is reviewed and approved by the IBP and DLC Capital Committees (and other relevant DLC committees) and in parallel by IBP BRCC and the board • The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group • At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns • Our internal capital framework is designed to manage and achieve this balance • The framework has been approved by the board and is managed by the IBP Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Capital discipline	We are a lowly leveraged firm and target a leverage ratio in excess of 6% tolerance.	The leverage ratio is 8.0%.
Further information Read more on pages 104 to 107	We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% on a consolidated basis and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.	The bank met all these targets. Capital has grown over the period.

Business risk

Principal risk description	Risk management and key mitigating actions	
Business risk relates to external market factors that can create income volatility	• The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base • Bank strategy is directed towards generating and sustaining a diversified income base for the bank • In the instance where income falls we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Improved cost management Growth initiatives Greater connectivity	We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions.	For our continuing operations, capital light activities contributed 53.0% to total operating income and balance sheet driven activities contributed 47.0%.
Further information Read more on pages 8 to 18 and pages 28 to 42	We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%.	Annuity income for our continuing operations amounted to 74.6% of total operating income.
	We seek to maintain strict control over fixed costs. For the 2021 financial year the group had a cost to income ratio target of below 70%*.	The cost to income ratio amounted to 80.9%*.

* These targets were initially set to be achieved by financial year 2022; however, in light of the prevailing macro-economic environment, the timeline for these targets to be met is currently under review.

PRINCIPAL RISKS
CONTINUED

Reputational and strategic risk

Principal risk description	Risk management and key mitigating actions	
Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated	• We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced • Strategic and reputational risk is mitigated as much as possible through detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders • The group has a disclosure and public communications policy which is reviewed annually by the DLC board.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Greater connectivity **Further information** Read more on page 101	We have a number of policies and practices in place to mitigate reputational risks.	We have continued to mitigate these risks where possible throughout the year.

Operational risk

Principal risk description	Risk management and key mitigating actions	

Operational risk is defined as the potential or actual impact to the bank as a result of failures relating to internal processes, people, systems or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences	• The operational risk management framework is embedded at all levels of the bank, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk
	• The bank's approach to manage operational risk operates a three levels of defence model which reinforces accountability by allocating clear roles and responsibilities and first line ownership
	• There are some operational risk sub-types which are significant in nature and are managed by dedicated specialist teams within the bank. These operational risk sub-types have individual detailed risk policies and procedures, but are included within the operational risk management framework and are reported and monitored within the operational risk appetite tolerance. These sub-types include:
	  • Business disruption and operational resilience
	  • Conduct risk
	  • Cyber risk
	  • Data risk
	  • Financial crime risk
	  • Fraud risk
	  • Model risk
	  • Physical security and safety risk
	  • Process failure risk
	  • Regulatory compliance risk
	  • Tax risk
	  • Technology risk
	  • Third party risk.	

Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Digitalisation Greater connectivity **Further information** Read more on pages 97 to 100	We maintain sound operational risk practices to identify and manage operational risk. We monitor the level of acceptable operational risk exposure/loss through qualitative and quantitative measures.	We maintained operational risk losses within risk tolerance levels throughout the year.

PRINCIPAL RISKS
CONTINUED

Conduct risk

Principal risk description	Risk management and key mitigating actions
Conduct risk is the risk that inappropriate behaviours or business activities may lead to client, counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, or reputational and/or financial damage to the bank **Link to strategy** Greater connectivity **Further information** Read more on pages 97 to 102	• Our approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates with integrity and puts the wellbeing of its clients at the heart of how the business is run • Products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action • Investec's conduct risk policy aims to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework • The Customer and Market Conduct Committee has the objective of ensuring that the bank maintains a client-focused and fair outcomes-based culture.

Cyber risk

Principal risk description	Risk management and key mitigating actions
Risk associated with cyber-attacks which can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm **Link to strategy** Digitalisation Greater connectivity **Further information** Read more on pages 97 to 100	• Investec manages cyber risk through robust controls that are in place and regularly validated • The bank has a risk-based cyber strategy integrating prediction, prevention, detection and response • Investec maintains security architecture, which is continually enhanced using advanced technology • There are cyber controls which are regularly stress tested by internal teams and external specialists • Coordinated security incident response and crisis management processes are in place • Ongoing security training takes place to ensure high levels of staff awareness and vigilance • Investec has cyber insurance cover which includes incident response management, third party liability (including data protection, transmission liabilities, intellectual property infringement, impaired client access), income loss from business disruption and cover for expenses incurred.

PRINCIPAL RISKS
CONTINUED

Financial crime risk

Principal risk description	Risk management and key mitigating actions
Financial crime is any kind of criminal conduct relating to money, financial services or markets. It includes any offence involving fraud or dishonesty, misconduct in or misuse of information relating to a financial market, handling the proceeds of crime or the financing of terrorism. The offence is committed by internal or external agents to steal, defraud, manipulate, or circumvent established rules or legislation. This includes money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft **Link to strategy** Digitalisation Greater connectivity **Further information** Read more on pages 97 to 100	• Investec has established policies and procedures to promote business with clients in such a manner that minimises the risk of Investec's products being used for money laundering and terrorist financing • A risk-based approach is in place to comply with the money laundering regulations and applicable legislation, by ensuring that: – Sufficient information about customers is obtained – All customers' identities are appropriately verified – Staff are appropriately trained – Suspicious transactions and terrorist financing are recognised and reported – Client relationships are not entered into or maintained where there is a significant risk of financial crime through suspicious activity or the failure to provide 'Know Your Customer' information.

Legal risk

Principal risk description	Risk management and key mitigating actions
Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction **Link to strategy** Greater connectivity **Further information** Read more on page 101	• A Legal Risk Forum ensures we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice • There is a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate • The bank maintains adequate insurance to cover key insurable risks • This is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary.

PRINCIPAL RISKS
CONTINUED

Business disruption and operational resilience

Principal risk description	Risk management and key mitigating actions
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes **Link to strategy** Growth initiatives Digitalisation Greater connectivity **Further information** Read more on pages 97 to 100	• Resilience strategies are continuously monitored and enhanced, including relocating impacted businesses to alternate processing sites where appropriate as well as working from home strategies; in addition to leveraging high availability technology solutions • Implementation and execution of crisis management and crisis communication processes at bank as well as business unit level • Work is underway to analyse new regulatory operational resilience requirements to ensure existing strategies are further enhanced and aligned to regulatory expectations.

People risk

Principal risk description	Risk management and key mitigating actions
The risk that we may be unable to recruit, retain and engage diverse talent across the organisation **Link to strategy** Growth initiatives Greater connectivity **Further information** Refer to our 2021 group sustainability and ESG supplementary report on our website.	• We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance • Investec invests significantly in opportunities for the development of all our employees, and in leadership programmes to enable current and future leaders of the group • There are a number of graduate programmes operating across our organisation sourcing and developing our talent pipeline • Internal mobility is a valued mechanism for the development and retention of people • Our people and organisation team plays a critical role in assisting the business to achieve its strategic objectives, which are matched to learning strategies and market trends • The people and organisation team is mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. The people and organisation team also works with leadership to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

Regulatory compliance risk

Principal risk description	Risk management and key mitigating actions
The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the bank's operations, business prospects, costs, liquidity and capital requirements **Link to strategy** Greater connectivity **Further information** Read more on pages 97 to 102	• Investec remains focused on achieving the highest levels of compliance to professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our stakeholders remain at the forefront of everything we do • There are independent compliance, legal and risk management functions which ensure that the bank implements the required processes, practices and policies to adhere to applicable regulations and legislation.

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the bank. A number of these risks are beyond the bank's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable.

These emerging risks are briefly highlighted in volume two of the Investec group's 2021 integrated annual report and should be read in the context of our approach to risk management and our overall group risk appetite framework

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations. Emerging and other risks as factored into the board's viability assessment. Read more on page 143

RISK MANAGEMENT APPROACH AND FRAMEWORK

Philosophy and approach to risk management
The bank's comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of the businesses to ensure the risks remain within the stated risk appetite.

The board ensures that there are appropriate resources to manage the risks arising from running our businesses. The board has closely monitored developments as a result of the COVID-19 pandemic and receives regular updates. There has been enhanced governance and additional oversight of areas that have been most exposed to the pandemic to date.

The IBP BRCC (comprising both executive and non-executive directors) is the board mandated committee to monitor and oversee risk. IBP BRCC meets at least six times per annum and recommends the overall risk appetite to the board for approval.

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

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

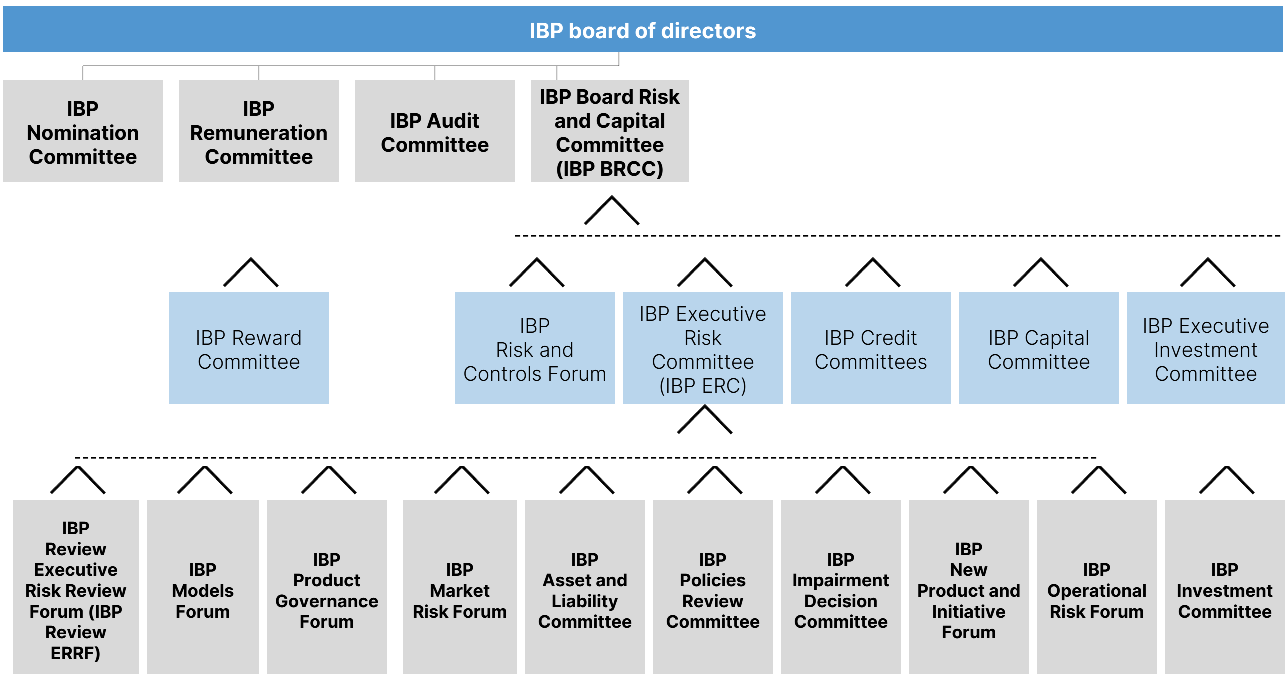
Risk management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. We continually seek new ways to enhance risk management techniques.

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

Risk management objectives are to:

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

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



CREDIT RISK MANAGEMENT

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

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

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

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

Credit and counterparty risk governance structure

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

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

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

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

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

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

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

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

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

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

CREDIT RISK MANAGEMENT
CONTINUED

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

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

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

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

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

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

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and where necessary, Group ERC will consider, analyse and assess the appropriate foreign jurisdiction limits.

Environmental, social and governance (ESG) risk and climate risk
We integrate ESG considerations into our day-to-day operations and credit decision-making. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG.

We support the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant. We report on these in our sustainability and ESG supplementary report on our website. We have a number of group policies that also guide credit decision-making from an ESG perspective and we made our group fossil fuel policy public on 31 March 2020. ESG considerations are considered by the credit committee or investment committee when making lending or investment decisions. Higher risk transactions are escalated for assessment by the bank's ESG specialists.

In particular, the following ESG factors are taken into account when assessing each transaction:

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

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

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

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

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

CREDIT RISK MANAGEMENT
CONTINUED

Management and measurement of credit and counterparty risk

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

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

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

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

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

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 63 to 69
- **Treasury function:** there are also certain exposures, outside of core loans and advances, where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America and Australia.

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

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

CREDIT RISK MANAGEMENT
CONTINUED

Credit risk mitigation

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

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

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

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

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

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

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

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

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

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

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

The bank places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2021 amounts to £1.8 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£0.2 million and total protection sold amounts to £2.0 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 248

The bank endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function 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.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

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

Net core loans increased by £479 million since 31 March 2020 to £12.3 billion. Loan growth has predominantly been driven by the residential mortgage portfolio and other high net worth lending as we gained good traction in our Private Banking strategy.

The overall loan portfolio continues to hold up well despite the macro-environment. Stage 3 exposures have reduced from 3.3% of gross core loans subject to ECL at 31 March 2020 to 2.8% at 31 March 2021. Of these Stage 3 exposures 1.9% relate to Ongoing (2.2% at 31 March 2020). In the UK, the Legacy portfolio is predominantly reported in Stage 3 and makes up 30.4% of Stage 3 gross core loans. These assets have been significantly provided for and coverage for these Legacy assets remains high at 38.6%.

Stage 2 exposures increased from 5.1% of gross core loans subject to ECL at 31 March 2020 to 10.3% at 31 March 2021, being driven largely by deteriorated macro-economic scenarios and a change in weightings as a result of the COVID-19 pandemic. Overall coverage for Stage 2 remained flat at 3.3% in line with 30 September 2020 (5.4% at 31 March 2020). Reduction in coverage since 31 March 2020 is predominantly as a result of a significant proportion of Stage 2 being from lower risk exposures transferring from Stage 1 to Stage 2 based on the deteriorating forward-looking view on their credit performance under current macro-economic expectations rather than specific credit concerns.

£'million	31 March 2021	31 March 2020
Gross core loans	**12 480**	**12 007**
Gross core loans at FVPL	512	653
Gross core loans subject to ECL*	**11 968**	**11 354**
Stage 1	10 398	10 399
Stage 2	1 238	576
of which past due greater than 30 days	90	31
Stage 3	332	379
of which Ongoing (excluding Legacy) Stage 3*	231	249
ECL	**(169)**	**(175)**
Stage 1	(27)	(37)
Stage 2	(41)	(31)
Stage 3	(101)	(107)
of which Ongoing (excluding Legacy) Stage 3*	(62)	(62)
Coverage ratio		
Stage 1	0.26%	0.36%
Stage 2	3.3%	5.4%
Stage 3	30.4%	28.2%
of which Ongoing (excluding Legacy) Stage 3*	26.8%	24.9%
Credit loss ratio	**0.56%**	**0.69%**
ECL impairment charges on core loans	(65)	(74)
Average gross core loans subject to ECL	11 662	10 609
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	231	272
of which Ongoing (excluding Legacy) Stage 3*	169	187
Aggregate collateral and other credit enhancements on Stage 3	235	274
Stage 3 as a % of gross core loans subject to ECL	2.8%	3.3%
of which Ongoing (excluding Legacy) Stage 3*	1.9%	2.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.0%	2.4%
of which Ongoing (excluding Legacy) Stage 3*	1.4%	1.7%

* Refer to definitions on page 301. Our exposure (net of ECL) to the UK Legacy portfolio has reduced from £111 million at 31 March 2020 to £84 million at 31 March 2021. These assets are substantially impaired and are largely reported under Stage 3.

ASSET QUALITY
CONTINUED

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

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2020 to 31 March 2021.The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 2 was almost all driven by the deteriorated economic outlook and corresponding PD deterioration in the loan book resulting in a model-driven significant increase in credit risk (SICR) for these exposures. There was no uptick in transfers to Stage 3 as a proportion of the opening book, reflecting limited new defaults experienced to date supported in part by government measures in place.

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

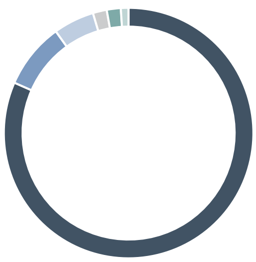
The ECL impact of changes to risk parameters and models during the period largely relates to the deterioration in the macro-economic scenarios and relative weightings as a result of the COVID-19 pandemic as well as certain overlays. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2020. Further analysis as at 31 March 2021 of gross core loans subject to ECL and their ECL balances is shown in 'An analysis of core loans by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2019	**8 969**	**(14)**	**576**	**(27)**	**319**	**(108)**	**9 864**	**(149)**
Transfer from Stage 1	(298)	1	254	(1)	44	—	—	—
Transfer from Stage 2	69	(1)	(140)	2	71	(1)	—	—
Transfer from Stage 3	1	—	1	—	(2)	—	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(2)	—	(14)	—	(15)
New lending net of repayments (includes assets written off)	1 630	(7)	(118)	2	(53)	18	1 459	13
Changes to risk parameters and models	—	(17)	—	(5)	—	(1)	—	(23)
Foreign exchange and other	28	—	3	—	—	(1)	31	(1)
At 31 March 2020	**10 399**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 354**	**(175)**
Transfer from Stage 1	(1 017)	4	989	(4)	28	—	—	—
Transfer from Stage 2	120	(2)	(220)	6	100	(4)	—	—
Transfer from Stage 3	—	—	8	—	(8)	—	—	—
ECL remeasurement arising from transfer of stage	—	2	—	(10)	—	(18)	—	(26)
New lending net of repayments (includes assets written off)	962	(9)	(89)	4	(162)	26	711	21
Changes to risk parameters and models	—	15	—	(6)	—	—	—	9
Foreign exchange and other	(66)	—	(26)	—	(5)	2	(97)	2
At 31 March 2021	**10 398**	**(27)**	**1 238**	**(41)**	**332**	**(101)**	**11 968**	**(169)**

An analysis of gross core loans by country of exposure

31 March 2021

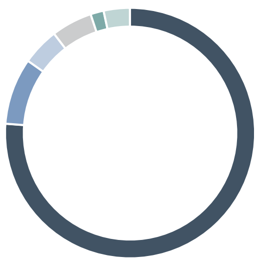
£12 480 million



United Kingdom	81.6%
Europe (excluding UK)	8.5%
North America	5.3%
Australia	1.8%
Asia	1.8%
Other	1.0%

31 March 2020

£12 007 million



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

ASSET QUALITY
CONTINUED

An analysis of credit quality by internal rating grade

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

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% - 6.089%	IB13 – IB19	BB+ to B-
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2021 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2021 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans subject to ECL	**6 603**	**4 854**	**179**	**332**	**11 968**
Stage 1	6 443	3 894	61	—	10 398
Stage 2	160	960	118	—	1 238
Stage 3	—	—	—	332	332
ECL	**(4)**	**(52)**	**(12)**	**(101)**	**(169)**
Stage 1	(3)	(23)	(1)	—	(27)
Stage 2	(1)	(29)	(11)	—	(41)
Stage 3	—	—	—	(101)	(101)
Coverage ratio	**0.1%**	**1.1%**	**6.7%**	**30.4%**	**1.4%**

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

ASSET QUALITY
CONTINUED

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

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

Year in review

Lending collateralised by property totalled £2.1 billion or 16.8% of net core loans at 31 March 2021, which remains in line with the bank's risk appetite to maintain a reduced proportion of net core loan exposures in property related lending.

New lending is largely against income-producing commercial and residential properties at conservative LTVs. The bulk of property collateralised assets are located in the UK. The Ongoing portfolio has performed well despite COVID-19 and we have continued to see good activity from our existing clients particularly in the second half of the year, supported in part by stamp duty changes in the UK.

The portfolio has diverse underlying assets, limited direct exposure to retail and hotel and leisure properties and experienced sponsors behind the exposures. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	**Gross exposure**	**ECL**	**Gross exposure**	**ECL**	**Gross exposure**	**ECL**	**Gross exposure**	**ECL**		
At 31 March 2021										
Commercial real estate	**1 126**	**—**	**134**	**(4)**	**137**	**(25)**	**1 397**	**(29)**	**19**	**1 416**
Commercial real estate – investment	910	—	118	(3)	130	(21)	1 158	(24)	15	1 173
Commercial real estate – development	211	—	10	—	1	(1)	222	(1)	4	226
Commercial vacant land and planning	5	—	6	(1)	6	(3)	17	(4)	—	17
Residential real estate	**614**	**—**	**12**	**—**	**73**	**(29)**	**699**	**(29)**	**11**	**710**
Residential real estate – investment	315	—	3	—	19	(6)	337	(6)	9	346
Residential real estate – development	287	—	9	—	23	(5)	319	(5)	—	319
Residential vacant land and planning	12	—	—	—	31	(18)	43	(18)	2	45
Total lending collateralised by property	**1 740**	**—**	**146**	**(4)**	**210**	**(54)**	**2 096**	**(58)**	**30**	**2 126**
Coverage ratio		**0.00%**		**2.7%**		**25.7%**		**2.8%**		
At 31 March 2020										
Commercial real estate	**983**	**(1)**	**105**	**(12)**	**125**	**(12)**	**1 213**	**(25)**	**42**	**1 255**
Commercial real estate – investment	803	(1)	99	(11)	122	(12)	1 024	(24)	38	1 062
Commercial real estate – development	180	—	—	—	3	—	183	—	4	187
Commercial vacant land and planning	—	—	6	(1)	—	—	6	(1)	—	6
Residential real estate	**607**	**—**	**12**	**—**	**108**	**(39)**	**727**	**(39)**	**30**	**757**
Residential real estate – investment	253	—	8	—	36	(12)	297	(12)	28	325
Residential real estate – development	354	—	3	—	38	(8)	395	(8)	—	395
Residential vacant land and planning	—	—	1	—	34	(19)	35	(19)	2	37
Total lending collateralised by property	**1 590**	**(1)**	**117**	**(12)**	**233**	**(51)**	**1 940**	**(64)**	**72**	**2 012**
Coverage ratio		**0.06%**		**10.3%**		**21.9%**		**3.3%**		

ASSET QUALITY
CONTINUED

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

Our private banking activities target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

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

Credit risk arises from the following activities:

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

Year in review

High net worth and other private client lending increased by 29.8% year-on-year, driven by strong targeted growth in mortgages for the bank's high net worth target market clients as we further leverage our UK private banking platform and franchise. Growth in this area has been achieved with strong adherence to our conservative lending criteria. Weighted average LTVs on mortgages remain conservative at 60%.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Mortgages	3 103	(1)	74	—	16	(2)	3 193	(3)	—	3 193
High net worth and specialised lending	832	(1)	31	(1)	2	(1)	865	(3)	7	872
Total high net worth and other private client lending	**3 935**	**(2)**	**105**	**(1)**	**18**	**(3)**	**4 058**	**(6)**	**7**	**4 065**
Coverage ratio		**0.05%**		**1.0%**		**16.7%**		**0.1%**		
At 31 March 2020										
Mortgages	2 438	(2)	19	—	28	(1)	2 485	(3)	—	2 485
High net worth and specialised lending	620	—	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio		**0.07%**		**3.33%**		**12.50%**		**0.2%**		

ASSET QUALITY
CONTINUED

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

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

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

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

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

Year in review

Corporate and other lending decreased by 8.5% from £6.8 billion at 31 March 2020 to £6.2 billion at 31 March 2021. This has been impacted by the wind down of the Australia business, including the sale of c.£400 million of the corporate lending portfolio in March 2021, which has substantially reduced our remaining exposure to this geography. Excluding the impact of the exit from Australia, the ongoing portfolio reduced by 2.1% in the year to 31 March 2021. Activity in the second half of the year increased across several asset classes and industries including Motor finance, Power and infrastructure finance, Corporate and acquisition finance as well as Fund finance. This has been offset by redemptions particularly in the first half of the year. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets. We continue to monitor performance closely as a result of the COVID-19 pandemic, in particular in the subsectors most affected to date which includes the aviation portfolio, due to the temporary shutdown of this industry, and small ticket asset finance due to the nature of the underlying borrower. The government measures and support that have been in place over the year to 31 March 2021 have provided direct support to the clients within these sectors as well as in other areas of corporate and other lending.

The aviation portfolio, reported under both 'large ticket asset finance' and 'other corporate and financial institutions and governments', totalled £393 million of gross core loans at 31 March 2021 (31 March 2020: £483 million). A large portion of this portfolio is reported under FVPL. There is no unsecured corporate exposure to the airline industry. The majority of the exposure is either senior secured on aircraft with conservative LTVs, to flag carriers who are likely to be supported by their respective governments during this period or to lessors, rather than direct to airlines, where these companies have substantial balance sheets which are continuing to support debt service. We have seen very limited defaults in the portfolio as a result of COVID-19 and continue to work closely with our clients given the significant disruption to this industry as a result of COVID-19. The underlying transactions remain well structured and underpinned by good assets.

Stage 3 exposures total 1.8% of total Corporate and other lending, in line with the previous year, reflecting the solid asset quality of the portfolio to date. Stage 2 exposures have increased in line with industry norms to 17.0% of total Corporate and other lending; however, this is predominantly due to the deteriorating forward-looking view on their credit performance under current macro-economic expectations rather than specific credit concerns.

ASSET QUALITY
CONTINUED

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	189	(2)	115	(2)	—	—	304	(4)	14	318
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	452	(2)	113	(2)	9	(3)	574	(7)	144	718
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	135	2 004
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Large ticket asset finance	—	—	—	—	23	(18)	23	(18)	135	158
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	**4 723**	**(25)**	**987**	**(36)**	**104**	**(44)**	**5 814**	**(105)**	**475**	**6 289**
Coverage ratio		**0.53%**		**3.6%**		**42.3%**		**1.8%**		
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	367	(2)	36	(1)	—	—	403	(3)	20	423
Fund finance	1 293	(2)	—	—	—	—	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	—	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 246	(10)	99	(6)	25	(14)	1 370	(30)	—	1 370
Motor finance	332	(1)	44	(1)	3	(1)	379	(3)	—	379
Large ticket asset finance	25	—	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	—	77	(3)	8	—	424	(3)	80	504
Resource finance	51	—	—	—	—	—	51	—	—	51
Total corporate and other lending	**5 751**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 294**	**(104)**	**567**	**6 861**
Coverage ratio		**0.59%**		**4.2%**		**45.6%**		**1.7%**		

ASSET QUALITY
CONTINUED

An analysis of COVID-19 relief measures and vulnerable sectors

Government schemes

We have offered additional support to our clients, including UK SME businesses. We became accredited to lend under the various schemes introduced by the UK Government, including the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS). As at 31 March 2021 we have approved loans totalling £213 million under these schemes. The BBLS, CBILS and CLBILS schemes closed for new applications on 31 March 2021 and are being replaced by the Recovery Loan Scheme (RLS) which came into use on 6 April until 31 December 2021. The RLS, under which we became accredited to lend, will in effect replace the three prior schemes providing maximum finance of up to £10 million under the scheme, with the government providing an 80% guarantee. We are well placed to further support our clients with this scheme where required and appropriate.

An analysis of COVID-19 relief measures

We have sought to help our clients wherever possible, including small and medium-sized enterprises (SMEs), our banking clients, corporates and others, providing payment holidays and other forms of COVID-19 relief measures including covenant waivers, interest-only and capital deferrals to assist clients in difficulty due to COVID-19 induced lockdowns and the significant slowdown in economic activity. We have structured different types of support to suit diverse client needs. We remain in close contact with each of these clients, and are constantly monitoring the situation. COVID-19 relief measures currently in place have reduced substantially from a peak of 13.7% of gross core loans at end June 2020 to 2.7% at 31 March 2021. Exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages.

	31 March 2021		
£'million	**Total gross core loans**	**Exposure with active COVID-19 relief**	**COVID-19 relief as a % of gross core loans by category**
Lending collateralised by property	2 126	42	2.0%
High net worth and other private client lending	4 065	51	1.3%
Corporate and other lending	6 289	249	4.0%
Total	**12 480**	**342**	**2.7%**

An analysis of COVID-19 vulnerable sectors

	31 March 2021					31 March 2020				
£'million	**Stage 1**	**Stage 2**	**Stage 3**	**FVPL**	**Total gross core loans**	Stage 1	Stage 2	Stage 3	FVPL	**Total gross core loans**
Aviation	30	95	6	262	393	142	—	—	341	483
Transport (excluding aviation)	29	99	31	—	159	153	26	25	1	205
Retail, hotel and leisure properties^	109	14	66	11	200	82	13	64	27	186
Leisure, entertainment and tourism	22	27	—	—	49	103	—	—	—	103
Retailers	54	7	8	—	69	46	41	—	5	92
Vulnerable sectors within small ticket asset finance*	265	50	11	—	326	609	61	12	—	682
Total	**509**	**292**	**122**	**273**	**1 196**	1 135	141	101	374	**1 751**
Coverage ratio	**0.59%**	**3.1%**	**33.6%**	**—**	**4.4%**	0.5%	3.5%	26.7%	—	**2.2%**

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

* Note that at 31 March 2020 motor finance was reported within small ticket asset finance as a vulnerable sector. Following internal review, at 31 March 2021, motor finance is now reported separately and no longer reported as a vulnerable sector given the underlying performance of the portfolio over the past 12 months.

CREDIT AND COUNTERPARTY RISK

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

An analysis of gross credit and counterparty exposures
Gross credit and counterparty exposure totalled £24.3 billion at 31 March 2021. Cash and near cash balances amounted to £6.9 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 99% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	**31 March 2021**	31 March 2020*
Cash and balances at central banks	3 043	2 277
Loans and advances to banks	1 384	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	2 459
Sovereign debt securities	1 108	1 085
Bank debt securities	48	51
Other debt securities	682	659
Derivative financial instruments	730	1 006
Securities arising from trading activities	28	172
Loans and advances to customers	12 480	12 007
Other loans and advances	131	197
Other securitised assets	6	8
Other assets	451	92
Total on-balance sheet exposures	**22 156**	**21 807**
Guarantees	46	77
Committed facilities related to loans and advances to customers	1 805	1 318
Contingent liabilities, letters of credit and other	252	269
Total off-balance sheet exposures	**2 103**	**1 664**
Total gross credit and counterparty exposures	**24 259**	**23 471**

* Restated as detailed on page 292.

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures

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

At 31 March 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	3 043	—	3 043	—	—	3 043
Loans and advances to banks	1 384	—	1 384	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	675	1 390	—	—	2 065
Sovereign debt securities	1 108	37	1 071	—	—	1 108
Bank debt securities	48	—	48	—	—	48
Other debt securities	682	206	476	(1)	28	709
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	351*	351
Loans and advances to customers	12 480	512	11 968	(169)	—	12 311
Other loans and advances	131	—	131	—	31	162
Other securitised assets	6	6	—	—	101^	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	4	4
Deferred taxation assets	—	—	—	—	110	110
Other assets	451	—	451	—	988**	1 439
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	244	244
Other acquired intangible assets	—	—	—	—	57	57
Software	—	—	—	—	8	8
Total on-balance sheet exposures	**22 156**	**2 194**	**19 962**	**(170)**	**2 405**	**24 391**
Guarantees	46	—	46	—	—	46
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	252	—	252	—	213	465
Total off-balance sheet exposures	**2 103**	**83**	**2 020**	**(9)**	**213**	**2 307**
Total exposures	**24 259**	**2 277**	**21 982**	**(179)**	**2 618**	**26 698**

Includes £5.2 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.

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

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

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

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2020 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets##
Cash and balances at central banks	2 277	—	2 277	—	—	2 277
Loans and advances to banks	1 794	—	1 794	—	—	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	2 459	916	1 543	—	—	2 459
Sovereign debt securities	1 085	—	1 085	—	—	1 085
Bank debt securities	51	51	—	—	—	51
Other debt securities	659	217	442	(1)	38	696
Derivative financial instruments	1 006	1 006	—	—	245	1 251
Securities arising from trading activities	172	172	—	—	85	257
Investment portfolio	—	—	—	—	351*	351
Loans and advances to customers	12 007	653	11 354	(175)	—	11 832
Other loans and advances	197	—	197	—	70	267
Other securitised assets	8	8	—	—	98^	106
Interest in associated undertakings and joint venture holdings	—	—	—	—	7	7
Deferred taxation assets	—	—	—	—	130	130
Other assets	92	—	92	—	1 370**	1 462
Property and equipment	—	—	—	—	217	217
Goodwill	—	—	—	—	253	253
Intangible assets	—	—	—	—	75	75
Total on-balance sheet exposures	**21 807**	**3 023**	**18 784**	**(176)**	**2 939**	**24 570**
Guarantees	77	—	77	—	—	77
Committed facilities related to loans and advances to customers	1 318	48	1 270	(4)	—	1 314
Contingent liabilities, letters of credit and other	269	—	269	—	239	508
Total off-balance sheet exposures	**1 664**	**48**	**1 616**	**(4)**	**239**	**1 899**
Total exposures	**23 471**	**3 071**	**20 400**	**(180)**	**3 178**	**26 469**

Includes £1.7 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.
* Relates to exposures that are classified as investment risk in the banking book.
^ While the bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the bank. The net credit exposure that the bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.
** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.
Restated as detailed on page 292.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2021 £'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	634	—	1 431
Sovereign debt securities	—	—	—	—	1 062	—	46
Bank debt securities	—	—	—	—	—	—	48
Other debt securities	—	—	—	22	6	17	322
Derivative financial instruments	—	5	2	88	6	22	458
Securities arising from trading activities	—	—	—	—	15	2	9
Loans and advances to customers	4 065	2 126	14	648	272	1 048	1 306
Other loans and advances	—	—	—	—	—	—	113
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	**4 065**	**2 131**	**16**	**767**	**5 038**	**1 089**	**5 558**
Guarantees	8	—	—	10	—	—	19
Committed facilities related to loans and advances to customers	147	351	—	290	37	160	474
Contingent liabilities, letters of credit and other	18	—	—	124	—	—	103
Total off-balance sheet exposures	**173**	**351**	**—**	**424**	**37**	**160**	**596**
Total gross credit and counterparty exposures	**4 238**	**2 482**	**16**	**1 191**	**5 075**	**1 249**	**6 154**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	—	3 043
—	—	—	—	—	—	—	—	—	—	1 384
—	—	—	—	—	—	—	—	—	—	2 065
—	—	—	—	—	—	—	—	—	—	1 108
—	—	—	—	—	—	—	—	—	—	48
—	—	—	238	—	—	—	69	—	8	682
34	26	2	—	6	23	—	56	—	2	730
—	—	—	2	—	—	—	—	—	—	28
220	761	94	—	95	156	98	754	555	268	12 480
—	—	—	18	—	—	—	—	—	—	131
—	—	—	6	—	—	—	—	—	—	6
—	1	—	—	—	—	—	—	—	—	451
254	**788**	**96**	**264**	**101**	**179**	**98**	**879**	**555**	**278**	**22 156**
2	—	—	—	1	—	—	6	—	—	46
14	114	—	—	4	75	—	21	—	118	1 805
—	1	—	—	—	6	—	—	—	—	252
16	**115**	**—**	**—**	**5**	**81**	**—**	**27**	**—**	**118**	**2 103**
270	**903**	**96**	**264**	**106**	**260**	**98**	**906**	**555**	**396**	**24 259**

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2020 **£'million**	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	—	—	—	—	2 277	—	—
Loans and advances to banks	—	—	—	—	—	—	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	832	—	1 627
Sovereign debt securities	—	—	—	—	1 085	—	—
Bank debt securities	—	—	—	—	—	—	51
Other debt securities	—	—	—	44	7	8	344
Derivative financial instruments	1	6	—	120	2	16	542
Securities arising from trading activities	—	—	—	—	46	—	122
Loans and advances to customers	3 134	2 012	8	452	212	1 107	1 780
Other loans and advances	—	—	—	—	—	—	174
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	92
Total on-balance sheet exposures	**3 135**	**2 018**	**8**	**616**	**4 461**	**1 131**	**6 526**
Guarantees	15	—	—	1	—	—	53
Committed facilities related to loans and advances to customers	112	346	—	190	36	142	253
Contingent liabilities, letters of credit and other	18	—	—	182	—	4	49
Total off-balance sheet exposures	**145**	**346**	**—**	**373**	**36**	**146**	**355**
Total gross credit and counterparty exposures	**3 280**	**2 364**	**8**	**989**	**4 497**	**1 277**	**6 881**

* Restated as detailed on page 292.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total***
—	—	—	—	—	—	—	—	—	—	2 277
—	—	—	—	—	—	—	—	—	—	1 794
—	—	—	—	—	—	—	—	—	—	2 459
—	—	—	—	—	—	—	—	—	—	1 085
—	—	—	—	—	—	—	—	—	—	51
—	—	—	163	—	—	—	85	—	8	659
23	26	1	—	12	50	—	205	—	2	1 006
4	—	—	—	—	—	—	—	—	—	172
286	855	100	—	141	237	189	887	379	228	12 007
—	—	—	23	—	—	—	—	—	—	197
—	—	—	8	—	—	—	—	—	—	8
—	—	—	—	—	—	—	—	—	—	92
313	**881**	**101**	**194**	**153**	**287**	**189**	**1 177**	**379**	**238**	**21 807**
1	—	—	—	1	—	—	6	—	—	77
22	34	6	—	41	94	—	21	—	21	1 318
5	1	—	—	—	10	—	—	—	—	269
28	**35**	**6**	**—**	**42**	**104**	**—**	**27**	**—**	**21**	**1 664**
341	**916**	**107**	**194**	**195**	**391**	**189**	**1 204**	**379**	**259**	**23 471**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2021 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	3 043	—	—	—	—	—	3 043
Loans and advances to banks	1 323	—	39	22	—	—	1 384
Reverse repurchase agreements and cash collateral on securities borrowed	1 116	158	55	102	59	575	2 065
Sovereign debt securities	389	214	237	200	34	34	1 108
Bank debt securities	4	—	11	11	22	—	48
Other debt securities	54	9	10	52	172	385	682
Derivative financial instruments	162	94	125	221	94	34	730
Securities arising from trading activities	9	—	3	10	1	5	28
Loans and advances to customers	909	779	1 278	6 995	1 612	907	12 480
Other loans and advances	5	—	—	12	58	56	131
Other securitised assets	—	—	—	—	—	6	6
Other assets	451	—	—	—	—	—	451
Total on-balance sheet exposures	**7 465**	**1 254**	**1 758**	**7 625**	**2 052**	**2 002**	**22 156**
Guarantees	2	2	1	41	—	—	46
Committed facilities related to loans and advances to customers	83	46	143	1 079	430	24	1 805
Contingent liabilities, letters of credit and other	6	8	24	176	38	—	252
Total off-balance sheet exposures	**91**	**56**	**168**	**1 296**	**468**	**24**	**2 103**
Total gross credit and counterparty exposures	**7 556**	**1 310**	**1 926**	**8 921**	**2 520**	**2 026**	**24 259**

ADDITIONAL POLICY INFORMATION

Additional credit and counterparty risk information

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our bank credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures.

For further detail on our credit risk classification and provision policy please refer to pages 192 and 193

Internal credit rating models and ECL methodology

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

Further information on internal credit ratings is provided on page 65

Key judgements

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

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

For further detail on our process for determining ECL please refer to page 193

Key judgements at 31 March 2021

UK and Other

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

The model methodology itself was therefore reviewed. Reliance was still placed on the bank's internal models where relevant, but, where necessary, adjustments were made to reflect the ongoing uncertainty in the economic environment whilst still relying on the bank's internal models where relevant. To address the model's limitations, mitigation measures have been utilised to floor the 'point in time' probability of default at the 'through the cycle' long run probability of default. This suppresses the 'bounce-back' experienced in the macro-economic scenarios and allows the models to output ECL impairments in a reliable and unbiased way whilst still observing the economic trends being experienced and reflecting the fundamental credit strength of the underlying exposures.

The assessment of the impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. To ensure that the overall level of ECL was reasonable and that the judgements applied had been suitably tested, management reviewed the overall output of ECLs and considered a number of alternative assumptions. Based on the outcome of this review an ECL overlay amounting to £16 million has been considered appropriate to account for latent risk in the performing portfolio as well as to capture the significant level of judgement required in the application of the macro-economic scenarios at 31 March 2021. This overlay has been applied to gross core loans in Stage 2.

At 31 March 2020 the models did not reflect the onset of the pandemic and therefore overlays totalling £27 million (of which £26 million was against gross core loans) were allocated across Stage 1 and 2. The £19 million ECL overlay from 31 March 2020, which had been held across the performing portfolio to capture risks not yet identified in the models due to COVID-19, has now been incorporated within the updated macro-economic scenarios applied. Additionally, a management overlay of £8 million at 31 March 2020, which had been considered appropriate in addition to the bank's calculated model-driven ECL due to uncertainty over the models' predictive capabilities, has been released due to the methodology implemented to account for over-prediction of default rates. A portion of this management overlay has been re-introduced to support the methodology applied to the IFRS 9 models (£2 million included within the £16 million overlay referred to above). The UK bank will continue to assess the appropriateness of this management overlay and expects that it could be re-introduced if economic forecasts revert to historical levels and there remain specific areas of model uncertainty at that time.

MACRO-ECONOMICS

Forward-looking macro-economic scenarios

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

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

For IBP, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.
As at 31 March 2021 the base case was updated to represent the latest economic outlook that reflected the forecasted recovery from the COVID-19 pandemic. At 31 March 2020 the downside scenarios consisted of a global asset price shock and one depicting economic stagnation. These were replaced at 30 September 2020 to better reflect the balance of risks, with an L-shape scenario and a No-FTA Brexit scenario. At 31 March 2021, the L-shape scenario remained, but was updated to reflect the latest economic data. However, given the UK-EU trade deal, the No-FTA Brexit scenario was replaced with a Fiscal crisis scenario.
In addition to a reassessment of the macro-economic scenarios, a review of the weightings also took place to take into account the latest economic developments and the changes to the scenarios. On this basis, the weightings stood at 10% upside, 55% base case, 30% L-shape and 5% Fiscal crisis. On balance, the skew of risks remained to the downside.

COVID-19 considerations remain a key feature of the base case with a predominant assumption of an economic rebound through the course of the 2021 calendar year as UK lockdowns end and vaccine roll out allows a return to normality. Pre-pandemic level of gross domestic product (GDP) is assumed to be recovered by the end of the 2021 calendar year. Fiscal and monetary policies provide key support for the economy with labour market schemes having limited the rise in unemployment, although the end of these schemes will likely result in unemployment rising. Unemployment is expected to decline in the medium term. Monetary policy is envisaged to remain accommodative, with no rise in bank rate expected until 2023. Beyond the near-term, COVID-19 pandemic influenced outlook, UK economic activity is expected to return to trend growth levels, with GDP assumed to return to annual growth rates of around 1.7%. Globally, the situation is assumed to be similar to that of the UK with economies in the major advanced countries recovering throughout the 2021 calendar year, although the pace of recovery is expected to vary, depending on the pandemic and differing levels of fiscal stimulus. Monetary policy is expected to remain exceptionally accommodative for a prolonged period of time. Despite the expectation of a global recovery, downside risks related to COVID-19 remain.

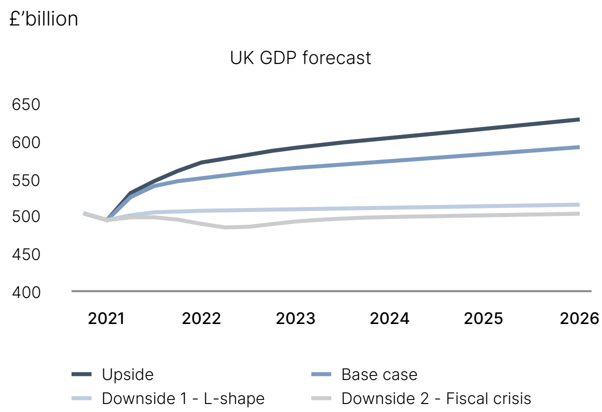
Downside 1 - L-shape assumes a weaker than expected recovery from the COVID-19 pandemic and a degree of permanent economic scarring, contributing to a period of protracted economic stagnation. In the UK this is embodied in a GDP growth averaging 0.1% a quarter. Further, the BoE is expected to introduce a negative interest rate policy, with bank rate expected to be lowered to -0.40%.

Downside 2 - Fiscal crisis is based on the scenario that emerges in the UK and certain Euro area countries as investors begin to question the sustainability of the public finances given the deterioration in debt to GDP ratios. Sovereign yields rise and financial conditions deteriorate. Fiscal policy is tightened in response to market pressures. Domestically the economy falls into a three quarter recession and whilst there is a cyclical recovery in the medium term, this is subdued. The BoE eases monetary policy via asset purchases and a cut in bank rate, to a low of -0.90%. There is generally a weaker global growth backdrop. However, the world's largest economies, the US and China, avoid seeing a contraction in economic activity.

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

In the upside case, a quicker recovery is experienced, triggered by a successful vaccine roll out campaign and an end to social restrictions. Ultimately, there is a stronger rebound in productivity, which helps to support a faster pace of GDP growth, which over the medium term averages 2% per annum. This stronger than expected rebound is seen globally, which leads to an earlier tightening in monetary policy.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 31 March 2021.



MACRO-ECONOMICS
CONTINUED

The table that follows shows the key factors that form part of the macro-economic scenarios and their relative applied weightings. The comparative data shows the key macro-economic factors used at 31 March 2020 including pre-COVID-19 scenarios and the relative weightings applied to each scenario as well as the COVID-19 scenarios, taking into account government intervention, which were used to apply an ECL overlay.

	At 31 March 2021 average 2021 – 2026				At 31 March 2020 average 2020 – 2025					
Macro-economic scenarios	**Upside %**	**Base case %**	**Downside 1 L-shape %**	**Downside 2 Fiscal crisis %**	Upside %	Base case %	Downside 1 Global %	Downside 2 Stagnation %	COVID-19 short scenario %	COVID-19 long scenario %
UK										
GDP growth	5.4	4.2	1.3	0.9	2.7	1.5	0.2	0.4	1.0	0.1
Unemployment rate	4.3	4.7	6.9	7.8	4.2	4.1	6.3	5.2	6.5	7.9
House price growth	3.7	1.6	0.7	(0.9)	2.8	2.5	(2.1)	(1.7)	0.5	(1.9)
BoE – Bank rate (end year)	1.0	0.6	(0.4)	(0.7)	2.3	1.2	0.2	0.0	0.1	0.1
Euro area										
GDP growth	4.4	3.1	1.0	0.9	2.7	1.4	0.3	0.2	n/a	n/a
US										
GDP growth	6.5	3.4	1.4	1.2	2.7	1.8	0.2	0.6	n/a	n/a
Scenario weightings	**10**	**55**	**30**	**5**	**10**	**55**	**15**	**20**	**75**	**25**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 31 March 2021.

	Financial years				
Base case %	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**
UK					
GDP growth	12.2	3.5	1.9	1.6	1.6
Unemployment rate	6.1	4.8	4.2	4.2	4.2
House price growth	1.9	0.8	1.2	2.0	2.3
BoE – Bank rate (end year)	0.1	0.1	0.5	1.0	1.5
Euro area					
GDP growth	6.7	3.8	1.9	1.6	1.6
US					
GDP growth	7.7	3.8	2.0	1.8	1.8

The following table shows percentage change in forecast economic factors for the two downside scenarios from the end of the fourth quarter 2020 based on the economic forecasts in place as at 31 March 2021.

	Financial years				
% change since Q4 2020	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**
GDP					
Downside 1 L-shape	0.7	1.1	1.5	1.9	2.3
Downside 2 Fiscal crisis	(2.8)	(2.2)	(1.0)	(0.5)	(0.1)
Residential property prices					
Downside 1 L-shape	(1.2)	(0.8)	0.0	0.8	1.6
Downside 2 Fiscal crisis	(5.8)	(9.4)	(7.2)	(6.7)	(6.3)
Commercial property prices					
Downside 1 L-shape	(2.8)	(1.9)	(1.3)	(0.7)	0.1
Downside 2 Fiscal crisis	(6.6)	(7.4)	(4.3)	(3.1)	(2.8)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK AND CLIMATE RISK

Climate risk and opportunities

Our position on climate change

We recognise the complexity and urgency of climate change. The group environmental policy and climate change statement considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change. We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Our approach to net-zero

We embrace our responsibility to understand and manage our own carbon footprint. We upheld our commitment and maintained net-zero direct operational carbon emissions status for the third financial year by sourcing almost 100% of our electricity consumption from renewable energy through the purchase of Renewable Energy Certificates and offsetting the remaining 10% of emissions through the purchase of verified and high quality carbon credits. We acknowledge that the widest and most impactful influence we can have is to manage and reduce our carbon emissions in the business we conduct and more specifically in our lending and investing portfolios (Scope 3 financed activities). As such, we are working together with the Partnership for Carbon Accounting Financials (PCAF) to measure our financed emissions and to establish a base line towards a net-zero path.

We are building capacity within our specialist skills in advisory, lending and investing to support our clients and stakeholders to move as quickly and smoothly as possible towards a zero-carbon economy.

Climate-related financial disclosures (TCFD)

We publish a separate TCFD report that aligns with the Financial Stability Board Taskforce recommendations. The table below illustrates a summary of our progress in terms of the TCFDs.

Refer to detailed information in our 2021 TCFD report on our website

	Pre financial year end March 2021	Financial year end March 2021	Looking forward
Governance	• Strengthened the group environmental policy and climate change statement • Established an ESG Executive Committee • Released a group fossil fuel policy • Assigned board responsibility and oversight for climate-related risks and opportunities • Assigned senior management responsibility for climate-related risks and opportunities	• Deepened the ESG skills of the DLC SEC • Extensive engagement with executive and senior leadership on the responsibility, risk and business opportunities related to sustainability • Strengthened our framework to link executive directors' remuneration to ESG KPIs • 84% of our board members participated in climate-related workshops	• Identify skills gaps within the board and management with regards to climate risks • Build capacity through directed climate education where gaps exist within the board and management
Strategy	• We support the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C • Committed to ongoing carbon neutral emissions across all operations (Scope 1 and 2)	• Created a Sustainable Finance Framework • Arranged and participated in one of the first European mid-market ESG-linked loans to the value of €600 million • Received shareholder support for climate commitments and published our first TCFD report • Strengthened our supply chain monitoring • Started engaging with clients on their climate aspirations • Conducted a qualitative assessment of climate risk in our own operations	• Assess financed emissions in our lending and investing portfolios to understand their net-zero alignment in accordance with the trajectories of the countries net-zero commitments where we operate in • Assess impact of climate-related risks and opportunities in our business • Collaborate on climate-related disclosures with stakeholders, for example, through PCAF
Risk management	• Evaluated lending and investment portfolios for ESG risks • Evaluated lending and investment portfolios for climate-related risks and opportunities	• Evaluated lending and investment portfolios for general ESG risks • Evaluated lending and investment portfolios for climate-related risks and opportunities • Automated ESG screening incorporated into the risk management process	• Follow the BoE stress test guidelines
Metrics and targets	• Included non-financial and ESG related targets within executive remuneration with a total weighting of 20% of short-term incentives and 25% of long-term incentives • Committed to ongoing carbon neutral emissions across all operations • Achieved carbon neutral status across our global operations for direct emissions • Disclosed our fossil fuel exposure and ESG risk exposure	• Achieved net-zero direct emissions for the third financial year as part of our commitment to ongoing carbon neutrality in our Scope 1, 2 and operational Scope 3 emissions • 100% of operational energy requirements (Scope 2) sourced from renewable energy through renewable energy certificates • Joined the Partnership for Carbon Accounting Financials (PCAF) to collaborate with peers measuring Scope 3 emissions	• Measurement of carbon intensity within our Scope 3 lending and investment portfolios using the PCAF methodologies with an initial focus on our lending collateralised by property and mortgage portfolios • Continue to assess viable scenarios in line with industry recommendations • Assess viability of net-zero commitments within our investment and lending portfolios

INVESTMENT RISK

Investment risk in the banking book

Investment risk in the banking book comprised 1.6% of total assets at 31 March 2021. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the bank.

We partner with management and other co-investors by bringing capital raising expertise, working capital management, merger and acquisition and investment experience into client-driven private equity transactions as well as leveraging third party capital into funds that are relevant to the bank's client base. Investments are selected based on:

- The track record of management
- Attractiveness of the industry and the positioning therein
- Valuation/pricing fundamentals
- Environmental and sustainability analyses
- Exit possibilities and timing thereof
- The ability to build value by implementing an agreed strategy.

Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments.

Additionally, from time to time, the manner in which certain lending transactions are structured results in equity, warrants or profit shares being held, predominantly in unlisted companies. We also source development, investment and trading opportunities to create value within agreed risk parameters.

Management of investment risk

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

Risk appetite limits and targets are set to manage our exposure to equity and investment risk.

An assessment of exposures against limits and targets as well as stress testing scenario analyses are performed and reported to IBP BRCC.

As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 189 to 196 and pages 222 to 236 for factors taken into consideration in determining fair value

An analysis of income and revaluations of these investments can be found in the investment income note on page 202

Capital requirements

Unlisted and listed equities within the banking book, investment properties, warrants and profit shares are all considered in the calculation of capital required for credit risk.

Refer to page 106 for further detail

Summary of investments held and stress testing analyses

£'million Category	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments	341	51	343	51
Listed equities	10	3	8	2
Total investment portfolio	**351**	**54**	**351**	**53**
Trading properties	25	5	36	7
Warrants and profit shares	5	2	2	1
Total	**381**	**61**	**389**	**61**

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

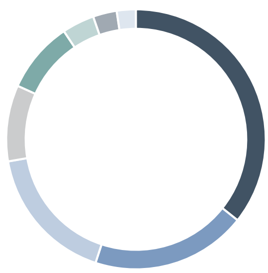
Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 31 March 2021, as reflected above, we could have a £61 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high.

An analysis of investment portfolio, warrants and profit shares

31 March 2021
£356 million



Finance and insurance	35.7%
Manufacturing and commerce	19.3%
Real estate	17.2%
Retailers and wholesalers	9.5%
Communication	8.9%
Other	4.0%
Business services	3.0%
Transport	2.4%

SECURITISATION

Securitisation/structured credit activities exposures

Overview

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

The new securitisation framework, which came into force in January 2020, is followed when calculating capital requirements for securitisation positions. Given risk-weightings under this new framework are no longer reliant on ratings, a breakdown by risk-weighting has also been provided in the analysis below.

Securitisation transactions provide the bank with a cost effective, alternative source of financing either through sale to the market or through use of the notes issued as collateral for other funding mechanisms. During the year we completed a £400 million securitisation of auto loans and leases originated by MI Vehicle Finance Limited. All the notes were retained by the bank or its subsidiaries with the senior notes used as collateral to support our participation in the BoE funding schemes. The bank does not apply the securitisation rules to the above originated transactions when calculating risk-weighted assets. For regulatory capital purposes, the bank continues to recognise the underlying securitised assets in the consolidated regulatory balance sheet and applies the standardised credit risk rules.

We hold rated structured credit instruments. These are UK and US exposures and amounted to £557 million at 31 March 2021 (31 March 2020: £522 million) with 99% being AAA and AA rated. 96% of all these exposures have a risk weighting of less than 40%.

Accounting policies

Refer to page 193

Risk management

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

Credit analysis

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

Nature of exposure/activity	31 March 2021 £'million	31 March 2020 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	575	528	Other debt securities and other loans and advances
<40% RWA	554	506	
>40% RWA	21	22	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	240	55	6	—	—	—	301	12	313
UK RMBS	136	118	1	1	—	—	256	6	262
Total at 31 March 2021	**376**	**173**	**7**	**1**	**—**	**—**	**557**	**18**	**575**
<40% RWA	376	159	7	—	—	—	542	12	554
>40% RWA	—	14	—	1	—	—	15	6	21
Total at 31 March 2020	**375**	**140**	**6**	**1**	**—**	**—**	**522**	**6**	**528**

Market risk in the trading book

Traded market risk profile

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

Traded market risk year in review

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses.

Trading income continued to be negatively impacted by risk management and risk reduction costs in our structured product book of £93 million in the year to 31 March 2021 (31 March 2020: £29 million). Extreme market movements, dividend cancellations and a lack of trading liquidity were the primary causes of these costs. Risk reduction trades combined with a reduction in the size of the structured products book substantially reduced risk management costs in the last quarter of the financial year. Furthermore, the implementation of a macro hedge has provided downside protection in the event of another extreme market dislocation. The book is being run down and its size has materially reduced through a combination of active trade unwinds and natural run-off with the recovery in equity markets. For the 2022 financial year we expect these costs to be approximately £30 million. This guidance is subject to various assumptions which, if altered, may result in a different outcome to management expectations.

IBP has been winding down its Financial Products business during the year and also took the decision to discontinue these structured products in the UK as a method of raising liabilities. There continues to be daily close monitoring of the remaining substantially reduced book from IBP executive management, risk management and the business. Regular meetings were held during the year to review and refine the risk management processes related to this book and the remaining risk on the book is regularly reported to IBP and DLC BRCCs and the respective boards. The IBP Audit Committee considered the subjectivity surrounding the inputs used to determine the valuation of these products.

Market risk across the other trading desks remains limited with the primary focus continuing to be on managing and hedging the market risk arising from client related activity.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams reporting into risk management where limits are approved, managed and monitored.

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

Measurement of traded market risk

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

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

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

Traded market risk management, monitoring and control

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

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

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

MARKET RISK
CONTINUED

Value at Risk

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

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

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

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

95% one-day VaR £'000	31 March 2021 Year end	31 March 2021 Average	31 March 2021 High	31 March 2021 Low	31 March 2020 Year end	31 March 2020 Average	31 March 2020 High	31 March 2020 Low
Equities	435	828	2 021	302	1 549	571	1 549	286
Foreign exchange	10	11	47	1	33	11	68	1
Interest rates	42	52	94	17	82	107	132	67
Credit	62	213	455	42	438	32	509	1
Consolidated*	**456**	**896**	**2 155**	**289**	**1 478**	**574**	**1 478**	**301**

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

Expected shortfall

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

95% one-day ES £'000	31 March 2021	31 March 2020
Equities	901	1 966
Foreign exchange	20	47
Interest rates	66	107
Credit	102	723
Consolidated*	**941**	**1 837**

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

Stressed VaR

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

£'000	31 March 2021	31 March 2020
99% one-day sVaR	**722**	**2 878**

MARKET RISK
CONTINUED

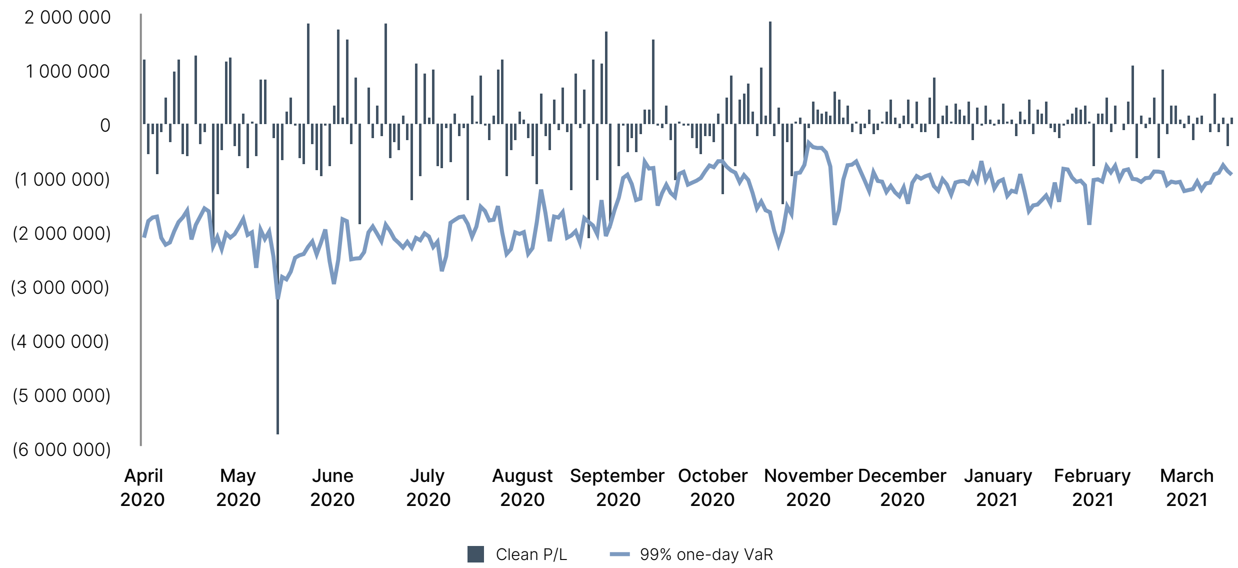
Backtesting

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

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

The average VaR for the year ended 31 March 2021 was higher than for the year ended 31 March 2020. Using clean profit and loss data for backtesting resulted in four exceptions over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is slightly more than expected at this confidence level and is mainly due to the lingering volatility in equity markets, induced by the COVID-19 pandemic.

99% one-day VaR backtesting (£)



Stress testing

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

99% EVT £'000	**31 March 2021**	31 March 2020
Equities	5 315	3 433
Foreign exchange	79	133
Interest rates	134	201
Credit	366	2 359
Consolidated#	**5 335**	**3 235**

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

Capital

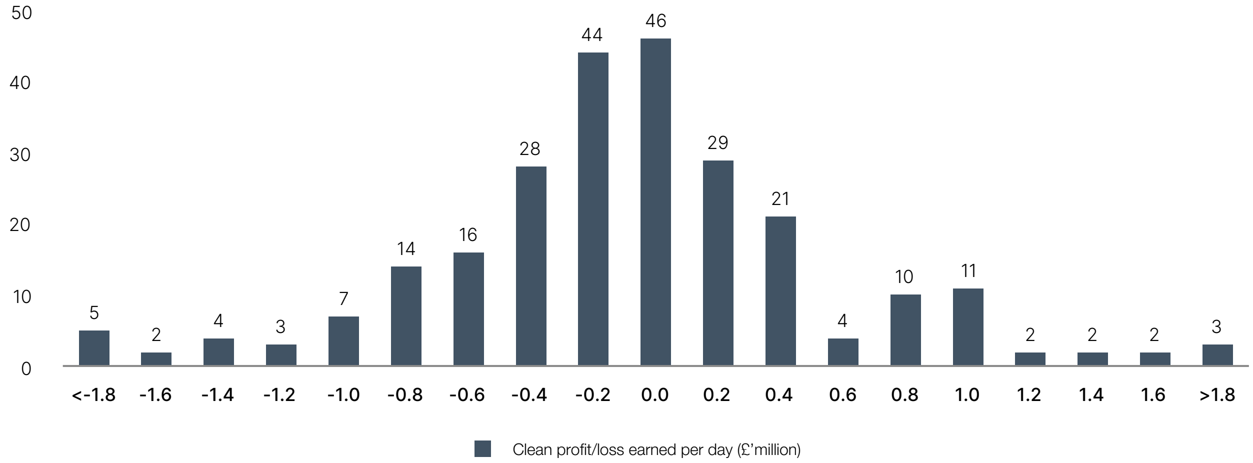
The market risk capital requirement is calculated using the standardised approach. For certain options, the bank has an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the bank has an article 331 permission which allows sensitivity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

MARKET RISK
CONTINUED

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 130 days out of a total of 253 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2021 was £446 (year to 31 March 2020: -£75 809).

Clean profit and loss (excluding fees and hedge costs included in new trade revenue)
Frequency: Days in the year



Market risk – derivatives

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

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

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

BALANCE SHEET RISK

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

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

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

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

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

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

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

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

Balance sheet risk management is based within group risk management and is responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the bank's policies.

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

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

Liquidity risk
Liquidity risk is further broken down into:

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

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

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA, GFSC and FINMA
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The bank maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

BALANCE SHEET RISK
CONTINUED

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

- Internal 'survival horizon' metric which models how many days it takes before the bank's cash position is depleted under an internally defined worst-case liquidity stressRegulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the bank's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments;
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

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

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

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

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

Funding strategy

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

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

The bank actively participates in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally.

Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business as part of a diversified funding mix.

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

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

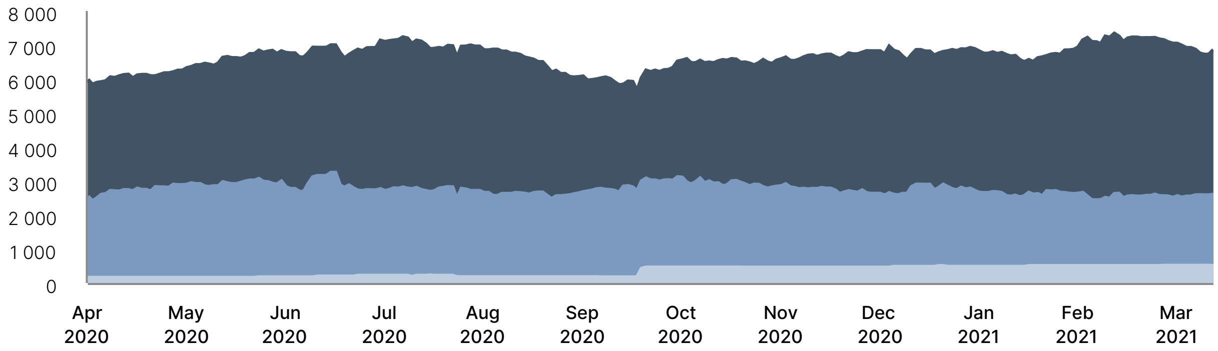
Liquidity buffer

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

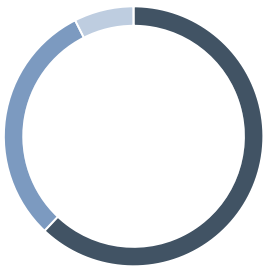
From 1 April 2020 to 31 March 2021 average cash and near cash balances over the period amounted to £6.6 billion.

BALANCE SHEET RISK
CONTINUED

Cash and near cash trend
£'million

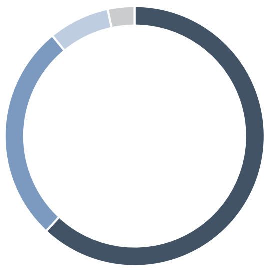


An analysis of cash and near cash at 31 March 2021
£6 857 million



Central Bank cash placements and guaranteed liquidity	62.1%
Cash	30.5%
Near cash (other 'monetisable' assets)	7.4%

Bank and non-bank depositor concentration by type at 31 March 2021
£17 593 million



Individuals	62.0%
Other financial institutions and corporates	27.1%
Banks	7.6%
Small business	3.3%

Contingency planning

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

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

The plan has been tested via an externally facilitated liquidity crisis simulation exercise which assessed the bank's sustainability and ability to adequately contain a liquidity stress.

Asset encumbrance

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

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

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

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

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

BALANCE SHEET RISK
CONTINUED

Liquidity mismatch

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

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

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

- Liquidity buffer: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class
- Customer deposits: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2021

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	4 253	115	—	—	39	20	—	4 427
Investment/trading assets	952	663	358	534	401	1 318	1 115	5 341
Securitised assets	—	—	—	2	1	9	95	107
Advances	124	437	661	737	1 353	6 642	2 525	12 479
Other assets	202	794	48	12	52	387	547	2 042
Assets	**5 531**	**2 009**	**1 067**	**1 285**	**1 846**	**8 376**	**4 282**	**24 396**
Deposits – banks	(255)	(56)	—	—	(714)	(327)	—	(1 352)
Deposits – non-banks	(6 203)	(896)	(2 717)	(3 241)	(991)	(1 906)	(287)	(16 241)
Negotiable paper	(30)	(4)	(14)	(6)	(20)	(826)	(293)	(1 193)
Securitised liabilities	—	—	(2)	(2)	(3)	(33)	(68)	(108)
Investment/trading liabilities	(317)	(143)	(115)	(73)	(110)	(365)	—	(1 123)
Subordinated liabilities	—	—	—	—	(334)	—	(437)	(771)
Other liabilities	(131)	(444)	(62)	(85)	(123)	(323)	(75)	(1 243)
Liabilities	**(6 936)**	**(1 543)**	**(2 910)**	**(3 407)**	**(2 295)**	**(3 780)**	**(1 160)**	**(22 031)**
Total equity	—	—	—	—	—	—	(2 365)	(2 365)
Contractual liquidity gap	**(1 405)**	**466**	**(1 843)**	**(2 122)**	**(449)**	**4 596**	**757**	**—**
Cumulative liquidity gap	(1 405)	(939)	(2 782)	(4 904)	(5 353)	(757)	—	

Behavioural liquidity at 31 March 2021

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**3 343**	**262**	**(706)**	**(1 283)**	**(480)**	**(1 727)**	**591**	**—**
Cumulative	3 343	3 605	2 899	1 616	1 136	(591)	—	

BALANCE SHEET RISK
CONTINUED

Non-trading interest rate risk description
Sources of interest rate risk in the banking book include:

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

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET RISK
CONTINUED

Interest rate sensitivity gap at 31 March 2021

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

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	4 426	—	—	—	—	—	4 426
Investment/trading assets	2 719	227	208	136	49	703	4 042
Securitised assets	107	—	—	—	—	—	107
Advances	8 636	589	553	2 481	219	—	12 478
Other assets	—	—	—	—	—	1 795	1 795
Assets	**15 888**	**816**	**761**	**2 617**	**268**	**2 498**	**22 848**
Deposits – banks	(1 352)	—	—	—	—	—	(1 352)
Deposits – non-banks	(14 291)	(464)	(935)	(546)	(5)	—	(16 241)
Negotiable paper	(1 036)	—	—	—	—	—	(1 036)
Securitised liabilities	(108)	—	—	—	—	—	(108)
Investment/trading liabilities	(120)	—	—	—	—	—	(120)
Subordinated liabilities	(43)	—	—	(728)	—	—	(771)
Other liabilities	—	—	—	—	—	(855)	(855)
Liabilities	**(16 950)**	**(464)**	**(935)**	**(1 274)**	**(5)**	**(855)**	**(20 483)**
Total equity	—	—	—	—	—	(2 365)	(2 365)
Balance sheet	**(1 062)**	**352**	**(174)**	**1 343**	**263**	**(722)**	**—**
Off-balance sheet	1 574	(104)	(7)	(1 258)	(205)	—	—
Repricing gap	**512**	**248**	**(181)**	**85**	**58**	**(722)**	**—**
Cumulative repricing gap	512	760	579	664	722	—	

Economic value sensitivity at 31 March 2021

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

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	3.7	15.0	1.7	(2.7)	(0.7)	0.1	15.5
200bps up	(3.1)	(12.6)	(1.4)	2.3	0.6	—	(13.0)

BALANCE SHEET RISK
CONTINUED

Interest rate risk - IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the bank has established a project team to manage the transition of all contracts that could be affected. The project is being led by senior representatives from functions across the bank including the client facing teams, Treasury, legal, finance, operations, risk and technology. The project team provides regular progress updates to the board and IBP BRCC. The bank has in place detailed plans, processes and procedures to support the transition in line with both the milestones set by the IBOR working groups in each jurisdiction and the timelines set out in the pre-cessation announcement of the IBOR benchmarks by the FCA in March 2021.

During the financial year, the bank has already successfully transitioned a portion of new business away from referencing IBOR to referencing alternative rates. Following the progress made to date, the bank is confident that it has the operational capability to complete the transition to risk-free or other alternative rates. For other benchmark interest rates such as EURIBOR that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

IBOR reform exposes the bank to various risks, which the project is managing and monitoring closely.

These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Business risk to the bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the bank’s hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to risk-free rates.

The following table summarises the significant exposures impacted by interest rate benchmark reform as at 31 March 2021.

	GBP IBOR - no. of trades	GBP - Notional value (£'million)	Other IBOR - no. of trades	Other - Notional value (£'million)
Pre-2022 dated instruments				
Derivatives	126	2 663	113	3 746
Sovereign debt securities	—	—	1	11
Other debt securities	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	1	73
Loans and advances to customers	491	982	104	196
Of which undrawn	—	178	—	57
Customer accounts (deposits)	43	44	32	31
Post-2022 dated instruments				
Derivatives	613	11 054	769	20 681
Other debt securities	51	256	69	306
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—
Loans and advances to customers	897	3 363	257	1 694
Of which undrawn	—	590	—	295
Other loans and advances	7	17	21	103
Customer accounts (deposits)	21	30	12	449

In March 2021, the ICE Benchmark Administration (the administrator of LIBOR), in conjunction with the UK’s Financial Conduct Authority (FCA) announced that it will stop publishing the following LIBOR settings based on submissions from panel banks, after 31 December 2021: all GBP, EUR, CHF and JPY LIBOR settings and the one-week and two-month USD LIBOR settings. All remaining USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) will cease to be published based on panel bank submissions after 30 June 2023.

BALANCE SHEET RISK
CONTINUED

Regulatory requirements

Liquidity risk

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

Two minimum standards for funding liquidity were introduced:

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

Following the UK's departure from the EU, the PRA have exercised temporary transitional powers (TTP), meaning that EU regulation in place prior to the end of the transition period largely remains valid in the UK until 31 March 2022. As such, the LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 31 March 2021 the LCR reported to the PRA was 475% for IBP (solo basis).

Within the UK, the NSFR will be onshored by the PRA and expected to become a binding requirement for banks in January 2022. Banks will be required to maintain a minimum NSFR of 100%. In the meantime, our internally calculated NSFR is based on the version published in the EU Official Journal in June 2019, and our own interpretations where required. The NSFR at 31 March 2021 was 126% for IBP (solo basis).

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

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

Non-trading interest rate risk

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

Within the UK, the PRA have published new binding rules on interest rate risk arising from non-trading activities, which will become effective on 31 December 2021. In the meantime, banks are expected to continue to be compliant with EBA guidelines.

The regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of their ICAAP. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards.

Balance sheet risk year in review

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

Funding continues to be raised through a diverse mix of customer liabilities by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of deposits. Throughout the past year, the bank has proven capable of raising funding from a broad range of sources, despite the impact of the COVID-19 pandemic. We have launched a new digital retail product offering, Online Flexisaver, which has delivered strong growth. Additionally, the bank has made the decision to cease issuance of new structured deposits and notes.

The cost of raising customer deposits has decreased in line with trends in the market in the months following the cut in bank rate by the BoE in March 2020 but we also remain focused on reducing our cost of raising those customer deposits by migrating to a lower cost digital product base. Overall liability growth is still managed in line to support asset growth.

We have limited reliance on wholesale funding, but we continue to pursue strategic opportunities to raise low cost, term currency funding where appropriate and refinance any maturing funds ahead of contractual requirements.

During the year, the bank became eligible to participate in the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME) albeit no drawings have been made to date. An inaugural Euro-denominated senior unsecured issuance was also successfully priced, broadening the debt capital markets investor base and providing an additional source of non-Sterling currency.

This overall approach has enabled the bank to still maintain a strong liquidity position at the year-end across a range of metrics in line with our conservative approach to balance sheet risk management.

Cash and near cash balances at 31 March 2021 amounted to £6.9 billion (31 March 2020: £6.0 billion). Total customer deposits were £16.2 billion at 31 March 2021 (31 March 2020: £15.5 billion).

Looking forward, the focus remains on maintaining a strong liquidity position. Funding continues to be actively raised, focused on the strategy to reduce the overall cost of the liability base supported by stable credit ratings.

Refer to page 44 for further detail on credit ratings

OPERATIONAL RISK

Operational risk

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

Risk appetite

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

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

Management and measurement of operational risk

Regulatory capital

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

As part of the Basel III Reforms in 2014, the BCBS announced revisions to the calculations of capital requirements for operational risk. A single standardised approach was proposed to replace all existing approaches for the calculation of regulatory capital. The final implementation date has been postponed to 2023. The bank will continue to work closely with regulators and industry bodies on the implementation of the revisions.

Operational risk management framework and governance

In line with regulatory developments, the operational risk management framework is embedded at all levels of the bank, supported by the risk culture and enhanced on an ongoing basis. Policies, practices and processes that facilitate operational risk identification, assessment, mitigation, monitoring and reporting of operational risk are included in the framework.

Operational risk is managed in line with the bank's levels of defence approach which reinforces accountability by allocating roles and responsibilities.

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

Risk reports are used to monitor the operational risk profile on an ongoing basis, which contributes to sound risk management and decision-making by the IBP board and management.

The operational risk framework is continually enhanced in line with regulatory developments and sound practices. Interactions with regulators promote an understanding of expectations and informs the approach to regulatory developments and requirements. The awareness of sound practice is achieved through interaction with industry counterparts at formal industry forums.

Operational risk practices consist of the following:

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

Operational risk year in review

In response to the global COVID-19 pandemic, our priority was the safety of our staff and the continuous servicing of our clients, whilst remaining fully operational with business-as-usual processes and controls. To this end, the bank upgraded and improved the robustness of its technology infrastructure through increased capacity and security measures so as to facilitate a safe and durable global working environment for all staff.

Operational risk events

The bank continued to manage risk events within the agreed board-approved operational risk appetite statement. The 'execution delivery and process management failures' (EDPM) and 'external fraud' Basel categories are the drivers of risk events from a count and value perspective. There have been no marked increase in EDPM or fraud losses directly attributable to the pandemic. However, various costs such as travel cancellation fees, marketing event cancellation costs and costs associated with the ability to continue to operate as an organisation under lockdown conditions attributed to COVID-19, were considered as operational risk losses given their unexpected nature. It should be noted that Investec made significant cost savings from reduced travel, marketing events and closure of offices which offset these costs, but these were not recognised in operational risk losses in accordance with regulatory requirements. Overall causal analysis is performed on risk events to determine the reason for their occurrence and to identify and implement appropriate actions required to strengthen the associated control environment.

OPERATIONAL RISK
CONTINUED

Looking forward
Key operational risk priorities for the year ahead:

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Business disruption and operational resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Effectively responding to significant business disruptions based on commitment and support of senior management and a dedicated team with robust governance processes • Understanding and mitigating risk to lessen the impact of disruptions • Establishing 'fit for purpose' and practical plans that include assurances of third party continued support under distressed situations • Regularly reviewing, validating and updating of business continuity plans and strategies • Embedding business continuity practices through awareness training and validations • Applying effective policy and programme management principles • Adhering to defined legal and regulatory requirements • Participating in regulatory and financial industry resilience activities to collaboratively minimise national systemic community risk
Conduct	
Risk that inappropriate behaviours or business activities may lead to client, counterparty or market detriment and/or reputational and/or financial damage to the bank and/or erosion of Investec values, culture and ethical standards expected of its staff	• Strong organisational culture and values, which form the cornerstone of Investec's behaviour towards all stakeholders • Appropriate controls and processes that deliver fair customer outcomes are in place • Monitoring of the bank's delivery of fair customer outcomes through conduct governance structures • Surveillance arrangements are in place across all trading activity and related communications • Continued cooperation with regulatory authorities and other stakeholders which include industry bodies on conduct risk issues • Promoting awareness of conduct related matters across the bank through appropriate employee training and communication to drive responsible behaviour
Cyber security	
Risk associated with cyber-attacks which can result in data compromise, interruption to business processes or client services, financial losses, or reputational harm	• Maintaining a risk-based strategy integrating prediction, prevention, detection and response capabilities • Continually enhancing the security architecture using advanced technology, research and threat intelligence, to protect against evolving threats and sophisticated attacks • Improving cyber resilience through ongoing coordination across cyber, incident response, operational resilience and crisis management processes • Stress testing of cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent external specialists • Embedding secure software development to ensure IT systems are secure by design • Provision of ongoing security training to staff to ensure high levels of awareness and vigilance
Data management	
Risk associated with poor governance in acquiring, processing, storing, and protecting data	• Establishing consistent mechanisms for unified data consolidation, storage and reporting • Enhancing system integration and automating feeds to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure • Monitoring, reporting on, and enhancing data quality and aggregation, in line with business needs and regulatory principles • Safeguarding internal and external information flows to preserve data completeness and integrity • Obtaining predictive intelligence through data analytics to support proactive risk management • Maintaining data retention and destruction processes to meet business needs • Comply with applicable legal obligations

OPERATIONAL RISK
CONTINUED

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Financial crime	
Risk associated with money laundering, terrorist financing, bribery and corruption	• Implementing and continuously enhancing our anti-money laundering (AML) controls and combating the financing of terrorism (CFT), sanctions, anti-bribery and corruption (ABC) policies and control mechanisms • Ongoing sophistication of risk management methodologies to optimally allocate resources toward higher risk areas • Continuously enhancing and further automating our transaction monitoring capabilities, increasing detection and prevention of money laundering, terrorist financing and proliferation financing • Monitoring local and international legislative and best-practice developments and assimilate into Investec's controls • Mandatory training for all staff and specialist training for anti-financial crime roles • Industry participation to manage legislative requirements through engagement with regulators
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Evolving the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies, while acknowledging there will always be geographical and cultural impacts that need to be considered • Utilising third party vendors to help in the systematic, real time identification of potential fraud and reaching out to our clients where appropriate to validate or discuss concerns • Maintaining an independent integrity (whistleblowing) line to ensure staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Conducting of fraud risk assessments to proactively identify and map existing preventative and detective controls to the relevant fraud risks, and evaluate whether the identified controls are operating effectively • Enhancing fraud detection and prevention controls in response to the continued upward trend in fraud and operational losses due to fraud attempts • Maintaining relevance of all aspects of the bank's fraud prevention framework in light of the changing risks and remote working environment caused by the global COVID-19 pandemic • Maintaining collaboration with other financial institutions in fraud prevention to recover funds that have been paid away • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continuing to create awareness of existing and horizon fraud threats by focusing on training staff, educating clients and intermediaries on fraud prevention and detection • Participating in industry working groups to gain an understanding of current trends in order to enhance the control environment
Information security	
Risk associated with the unauthorised access, use, disclosure, modification or destruction of data, which can impact their confidentiality, integrity, or availability	• Protecting high value information assets based on confidentiality and business criticality • Implementing intelligent data loss prevention controls to protect against unauthorised access or disclosure of information • Managing role-based access to systems and data and controlled privileged IT access, supported by risk-aligned access and activity monitoring • Ensuring the secure configuration of systems in line with internal policies and standards to protect against compromise and unauthorised access • Maintaining safeguards to protect confidential physical documents and facilitate secure destruction • Continually improving data breach monitoring and response in line with relevant privacy laws

OPERATIONAL RISK
CONTINUED

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Model	
Risk associated with the adverse consequences from decisions based on incorrect or misused model outputs and reports. Risk may be due to errors in the model, implementation of the model, use of the model or inherent limitations of the model	• Embedding appropriate governance and oversight of the development, validation and approval of key risk and financial models • Maintaining regular review cycles of key risk and financial models; the frequency and scale of which is determined by their assessed risk • Driving automation of models testing to validate model outputs • Further enhancements of exception reporting to proactively identify potential data errors feeding into the risk and financial models thereby providing assurance on data integrity
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to identify and implement adequate and effective controls including the management of change • Addressing human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group compliance and group legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Aligning and effecting regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures (e.g: transitioning from IBOR to risk-free rates) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensuring that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk
Technology	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Implementing strategic roadmaps that leverage new technologies and reduce reliance on legacy IT systems • Leveraging cloud based and cloud native services to drive innovation while enhancing capacity, scalability, security and resilience • Driving automation to reduce human error whilst enhancing efficiency • Continuing to align technology standards across the bank, to reduce complexity and leverage common functions and services • Maintaining proactive monitoring of the IT environment, for continual visibility of health and performance • Continuously improving IT resilience capabilities to withstand failure and minimise service disruption
Third party	
Risk associated with the reliance on, and use of a service provider to provide services to the bank	• Appropriate due diligence is in place to assess and approve third party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of third party service providers • Continuing to strengthen governance processes and relevant policies relating to how to identify, assess, mitigate and manage risks across the range of third party service providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party

Insurance

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

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE

Reputational and strategic risk

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

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

Legal risk

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

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

- Commercial contracts with service providers
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

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

The legal risk policy is implemented through:

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

Compliance

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

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

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

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

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

Conduct risk and consumer protection

The FCA has maintained its focus and approach to managing conduct risk across the financial services industry. During the period, the FCA has continued to focus on advancing its three operational objectives: securing an appropriate degree of protection for

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE
CONTINUED

consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interest of consumers. Since the beginning of the pandemic, the FCA's main priority was to protect vulnerable customers by raising awareness of the increased risk of financial scams, ensuring that customers maintain access to financial services, and continue to be treated fairly. The FCA has issued a range of forbearance measures such as mortgage repayment holiday, capital payment and interest freezes on certain type of lending facilities, and a temporary ban on repossessions to support customers through the pandemic. Another key area of focus was ensuring appropriate management of conduct risks arising from LIBOR transition and Brexit. The FCA has also re-iterated the importance of ensuring that firms' systems and controls continue to prevent market abuse in remote working environments. In terms of enforcement actions, the FCA imposed a number of fines for unfair treatment of customers in arrears, breaches of client assets rules and market abuse.

The FCA expects all institutions to have a robust conduct risk management framework in place to facilitate a culture that delivers good outcomes for clients, counterparties and the markets and holds their staff and senior management to appropriate standards of competence, integrity and ethical behaviour. Specifically, UK institutions are expected to be able to demonstrate that their culture, governance and approach to rewarding and managing staff, are at all times aligned to the interests of customers and the institutions' other stakeholders.

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

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

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

Financial crime

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

Brexit

The Brexit transition period ended on 31 December 2020 with no deal on financial services. As of 1 January 2021, UK firms lost their passporting rights to provide banking and investment services to clients based in the EU. In line with external legal advice, Investec has exited a number of clients in EU jurisdictions where it was no longer possible to continue providing banking or investment services. Investec Europe Limited (IEL), a fully licensed Irish MiFID firm, provides a range of MiFID services to new and existing EU clients that can no longer be serviced by Investec Bank plc. Investec is able to offer corporate lending in a small number of EU countries subject to local exemptions. Investec is monitoring further EU developments, most notably any potential decision about regulatory equivalence of the UK financial services regime which would allow the UK bank wider access to EU clients.

Tax reporting (FATCA, CRS, MDR and DAC6)

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

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

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

On 4 January 2021, the UK Tax Authorities (HMRC) confirmed that the UK will no longer apply DAC6 reporting in its entirety following the conclusion of the Free Trade Agreement with the EU. Only arrangements that would be within the scope of CRS will now need to be reported which is in line with the OECD's Mandatory Disclosure Rules.

Recovery and resolution planning

The purpose of the recovery plan is to document how the Investec plc board and management will plan for Investec plc to recover from extreme financial stress to avoid liquidity and capital difficulties. The plans are reviewed and approved by the board on an annual basis.

The focus of the Investec plc recovery plan is the recovery of IBP and the protection of its depositors and other clients. The plan:

- Integrates with existing contingency planning
- Identifies roles and responsibilities
- Identifies early warning indicators and trigger levels
- Analyses how the group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions
- Analyses the recovery potential as a result of these actions to avoid resolution.

The Bank Recovery and Resolution Directive (BRRD) was implemented in the UK via the UK Banking Act 2009. It was recently amended by the BRRD (Amendment) (EU Exit) Regulation 2020, which implemented into UK law certain amendments to the BRRD which were required to be implemented prior to the UK leaving the EU.

The BoE, the UK resolution authority has the power to intervene in and resolve a financial institution that is no longer viable. This is achieved through the use of various resolution tools, including the transfer of business and creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency.

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

In line with PRA and onshored EU requirements, Investec plc maintains a resolution pack and a recovery plan. Even though the recovery plan is framed at Investec plc level, given that IBP constitutes over 73% of Investec plc's balance sheet, the focus of this document is the recovery of IBP and the protection of its depositors and other clients.

Similarly, the resolution pack is drafted for Investec plc. As Investec plc is a financial holding company and IBP is its most significant entity, the Investec plc resolution strategy is expected to be driven and determined by the resolution strategy for IBP.

The BoE confirmed in March 2021 the preferred resolution strategy for IBP remains Modified Insolvency and the Minimum Requirement for own funds and Eligible Liabilities (MREL) requirement is set as equal to IBP's Total Capital Requirement (Pillar 1 plus Pillar 2A).

CAPITAL ADEQUACY

Capital management and allocation

Current regulatory framework

IBP is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. The bank calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) have been onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018. The PRA confirmed it would make use of temporary transitional powers at the end of the Brexit transitional period, which allows UK regulators to phase-in changes to UK regulatory requirements, enabling firms to adjust to the UK's post-transition period regime in an orderly way. The relief will be available for a period of 15 months from the end of the transitional period until 31 March 2022.

A summary of capital adequacy and leverage ratios

	31 March 2021*	31 March 2020*#
Common Equity Tier 1 ratio**	11.8%	11.5%
Common Equity Tier 1 ratio (fully loaded)***	11.3%	11.1%
Tier 1 ratio**	13.4%	13.1%
Total capital ratio**	16.4%	16.5%
Risk-weighted assets (£'million)**	15 789	15 808
Leverage exposure measure (£'million)	26 351	25 719
Leverage ratio^	8.0%	8.0%
Leverage ratio (fully loaded)^ ***	7.7%	7.8%
Leverage ratio (UK leverage ratio framework)^ ^^	9.4%	9.2%

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 16bps (31 March 2020: 0bps) higher, on this basis.

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. 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 2021 of £3 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.

\# Where applicable, the 31 March 2020 comparatives for leverage have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 292.

^ 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.

IBP applies the standardised approach to calculate credit risk and counterparty credit risk (CCR), securitisation risk, operational risk and market risk capital requirements. Subsidiaries of IBP may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

Year under review

During the year under review, the bank complied with the capital adequacy requirements imposed on it by the PRA. IBP continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2021, the CET1 ratio increased to 11.8% from 11.5% at 31 March 2020. CET1 capital increased by£49 million to £1.9 billion, mainly as a result of:

- CET1 generation through net profit and loss of £64 million
- A net increase of £6 million in the IFRS 9 transitional add-back adjustment, primarily as a result of the adoption of the 'quick fix' amendments to the CRR in June 2020. The amended regulations allowed new provisions recognised in 2020 and 2021 for financial assets that are not credit-impaired to be added back to CET1 capital
- A decrease of £17 million in the goodwill and intangible assets net of deferred taxation deduction, primarily driven by the write off of £8 million of goodwill as part of the sale of the Ireland Wealth businesses.

The increases were partially offset by:

- Dividends paid to ordinary shareholders and Additional Tier 1 security holders of £28 million and the inclusion of foreseeable charges and dividends of £25 million.

Risk-weighted assets decreased by 0.1 % or £19 million to £15.8 billion over the period.

Credit risk RWAs, which include equity risk, increased by £260 million. The increase in mainly driven by growth in private client lending, predominately HNW mortgages and other HNW lending.

Counterparty credit risk decreased by £231 million driven by a reduction in the volume of commodity swaps traded during the year and further reduction in counterparty credit risk exposures due to the recovery in interest rates and commodity prices, relative to 31 March 2020.

Market risk RWAs increased by £52 million, mainly due to an increase in collective investment undertaking risk due to a change in the capital treatment applied to these positions, partially offset by a decrease in foreign exchange risk due to the strengthening of GBP against the EUR and USD and a decrease in equity and interest rate risk due to market normalisation and risk reduction.

Operational risk RWAs decreased by £100 million, due to a reduction in the three-year average operating income used to determine the capital requirement.

IBP's leverage ratio remained flat at 8.0%.

CAPITAL ADEQUACY
CONTINUED

The group continues to hold a 2.5% Capital Conservation Buffer (CCB) and a firm specific countercyclical capital buffer (CCyB) of 0.03%. The group's 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 Financial Policy Committee (FPC) announced that with immediate effect the UK CCyB rate be reduced to 0% in response to the economic shock arising from COVID-19. At 31 March 2021 the UK CCyB rate has remained at 0%.

Significant regulatory developments in the period

On 27 June 2020, the 'quick fix' amendments were adopted in Europe, which resulted in the accelerated implementation of certain CRR II rules, which were only due to take effect in June 2021. Notably, the IFRS 9 transitional arrangements were amended 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 and it allowed the application of the revised supporting factor for exposures to small and medium-sized enterprises and the new supporting factor applicable to infrastructure finance exposures, to be advanced by one year.

On 12 February 2021, the PRA launched a new consultation, which sets out the proposed rules in respect of the implementation of international standards through a new PRA CRR rule instrument. The purpose of these rules are to implement some of the Basel III standards that were not implemented in the EU before the end of the Brexit transitional period and therefore remain to be implemented in the UK. This includes the new standardised approach for calculating counterparty credit risk, the revised large exposures framework and the changes to the market risk framework under the fundamental review of the trading book. These standards are expected to apply in the UK from 1 January 2022.

Philosophy and approach

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

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% on a consolidated basis, and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.

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

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

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

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

Capital planning and stress/scenario testing

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

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

The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, the three-year capital plans are stressed based on conditions most likely to cause IBP duress. The conditions are agreed by the IBP Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite. At a minimum level, each capital plan assesses the impact on our capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the IBP Capital Committee, the DLC Capital Committee and the IBP BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the IBP board, for considering the appropriate response.

Capital requirements country-by-country reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the bank to publish certain additional information in respect of the year ended 31 March 2021. This information will be available on the Investec group website.

CAPITAL ADEQUACY
CONTINUED

Capital structure

£'million	31 March 2021*	31 March 2020*
Shareholder's equity	**2 081**	**2 061**
Shareholder's equity excluding non-controlling interests	2 114	2 078
Foreseeable charges and dividends	(25)	—
Deconsolidation of special purpose entities	(8)	(17)
Non-controlling interests	**—**	**—**
Non-controlling interests per balance sheet	—	3
Non-controlling interests excluded for regulatory purposes	—	(3)
Regulatory adjustments to the accounting basis	**99**	**91**
Additional value adjustments	(6)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	12
Adjustment under IFRS 9 transitional arrangements	93	86
Deductions	**(312)**	**(333)**
Goodwill and intangible assets net of deferred taxation	(298)	(315)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(12)	(18)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(2)	—
Common Equity Tier 1 capital	**1 868**	**1 819**
Additional Tier 1 instruments	250	250
Tier 1 capital	**2 118**	**2 069**
Tier 2 capital	**473**	**533**
Tier 2 instruments	473	533
Total regulatory capital	**2 591**	**2 602**

Risk-weighted assets and capital requirements

	Risk-weighted assets**		Capital requirements**	
£'million	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	15 789	**15 808**	**1 263**	**1 265**
Credit risk	12 413	12 145	992	972
Equity risk	117	125	10	10
Counterparty credit risk	691	922	55	74
Credit valuation adjustment risk	59	59	5	5
Market risk	778	726	63	58
Operational risk	1 731	1 831	138	146

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 16bps (31 March 2020: 0bps) higher, on this basis.

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

CAPITAL ADEQUACY
CONTINUED

Leverage

£'million	31 March 2021*	31 March 2020*#
Total exposure measure	26 351	25 719
Tier 1 capital**	2 118	2 069
Leverage ratio^	**8.0%**	**8.0%**
Total exposure measure (fully loaded)	26 258	25 614
Tier 1 capital (fully loaded)	2 029	1 992
Leverage ratio (fully loaded)* ^**	**7.7%**	**7.8%**
Leverage ratio (UK leverage ratio framework)^ ^^	9.4%	9.2%

Total regulatory capital flow statement

£'million	31 March 2021*	31 March 2020*
Opening Common Equity Tier 1 capital	1 819	1 662
New capital issues	—	150
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(28)	(52)
Profit after taxation	64	58
Foreseeable charges and dividends	(25)	—
Share-based payment adjustments	—	(7)
Net equity impact on non-controlling interest movement	—	8
Movement in other comprehensive income	(3)	9
Goodwill and intangible assets (deduction net of related taxation liability)	17	20
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	(5)
Deconsolidation of special purpose entities	9	(3)
Gains or losses on liabilities at fair value resulting from changes in own credit standing	—	(9)
IFRS 9 transitional arrangements	6	(8)
Other, including regulatory adjustments and other transitional arrangements	3	(4)
Closing Common Equity Tier 1 capital	**1 868**	**1 819**
Opening Additional Tier 1 capital	250	250
Closing Additional Tier 1 capital	250	250
Closing Tier 1 capital	**2 118**	**2 069**
Opening Tier 2 capital	533	596
Other, including regulatory adjustments and other transitional arrangements	(60)	(63)
Closing Tier 2 capital	**473**	**533**
Closing total regulatory capital	**2 591**	**2 602**

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. IBP's CET1 ratios would be 16bps (31 March 2020: 0bps) higher, on this basis.

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\# Where applicable, the 31 March 2020 comparatives for leverage have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 292.

^ 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.

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Who we are

What we did

CHAIR'S INTRODUCTION

We are facing a challenging global economic environment with resilient client franchises

Brian Stevenson
Chair

The theme of my letter in the previous financial year was ‘change’. The macro-economic and regulatory landscape is always evolving, and we have had to adapt the way we interact with clients to ensure we continue to meet their expectations during this challenging period.

At the start of this financial year we stood on the precipice of unprecedented change. The UK’s departure from the European Union (Brexit) loomed on the horizon with little clarity – not least in relation to the new regime for financial services. Meanwhile, we were beginning to feel the significant impact of the COVID-19 pandemic. We knew that we faced a period of uncertainty and disruption, but were confident that this challenge could be met given the flexibility of our technology platforms and our adaptable people.

The bank remained operationally resilient despite the unprecedented and unpredictable change imposed by the pandemic on society and financial markets. The board believes that strong corporate governance and stakeholder engagement are more important than ever in helping us achieve our purpose and to successfully deliver our strategy.

Set out below are some of the bank's key corporate governance activities during the year.

Stakeholder engagement
Supporting clients, colleagues and our communities during these difficult times has been one of our key areas of focus.

For our clients, we have made progress on embedding the One Investec strategy. This has centred on alignment of our banking and wealth businesses. Meeting our clients’ needs has been achieved using the full breadth of our banking and wealth services. The bank has utilised a number of support schemes made available to our clients by the UK government, and has taken note of guidelines on forbearance issued by our regulators. The board has continued to oversee how these have been implemented.

For our workforce, we know the transition to a blended home and work environment imposed by the pandemic has been challenging. However, our technology platforms have enabled our workforce to work flexibly and adapt our business processes to this new way of working. As reported last year, the board has designated Moni Mannings as the responsible non-executive director for overseeing and updating the board on IBP's workforce engagement initiatives as described on page 20.

The board embraces Investec’s culture and in these challenging times was reminded of Investec’s purpose to create enduring worth, living in, not off, society. The board has received regular updates on management’s continuing outreach initiatives within the wider community. These have included supporting various charitable schemes and a framework for members of the board to forego a proportion of their fees to support various charities.

Details of how the board takes account of stakeholder interests in its strategic planning and decision-making process are set out on page 19. Further information about our oversight of the business’s response to Brexit and the pandemic can be found throughout this report.

Succession planning and board and committee changes
Succession planning both in respect of non-executive and executive directors, is a core component of good governance and was a focus in 2020 to ensure the appropriate execution and oversight of the business strategy amidst turbulent market conditions. Chris Meyer, Alistair Stuart, and Ryan Tholet all stepped down as executive directors in July 2020 as part of the bank's strategic organisational change programme.

David Friedland stepped down as an independent non-executive director in September 2020. He remains a DLC director and also a member of the Board Risk and Capital Committee to provide reciprocity of oversight between our committee and DLC. He was succeeded on the board by Henrietta Baldock in February 2021. Henrietta brings strategic skills and commercial knowledge as a member of the board. Henrietta is also a member of the board of Investec plc and Investec Limited (DLC) and serves as an important part of the interface and alignment of the business with the DLC board.

David Germain was appointed as an additional independent non-executive director in September 2020. David brings deep knowledge and experience of technology and operations transformation from a financial services background. He has enhanced the board’s oversight of operational resilience. David has also joined as a member of the Board Risk and Capital Committee.

Further information about these appointment processes and succession planning can be found on page 127, and information about the director induction process on page 117.

Culture, inclusion, and diversity
The Investec values-led culture is the bedrock of the business’s ability to deliver the optimal outcome for our clients. Culture is an important element of maintaining a robust governance environment, especially during the dispersion of our workforce at home during the pandemic. The board has regularly assessed and monitored the Investec culture. Further information about the board’s oversight of culture can be found on page 122.

CHAIR'S INTRODUCTION
CONTINUED

The board believes in a diverse workplace and inclusive working environment. This results in more innovative, engaged and accountable teams which delivers better outcomes for our clients and strengthens our values-led governance culture. This commitment begins at the board. The board has received regular updates on management's progress in driving diverse recruitment and inclusive teams across the business. More details of the approach to diversity and workforce engagement can be found on pages 25 and 20 respectively.

Environment, social and governance and climate change
The board believes that being a responsible corporate citizen and having regard to the ethical, social, and environmental dimensions in which we operate, generates long-term sustainable stakeholder value. Climate change in itself, societal expectations of how we behave and how businesses are managed in the interests of society has been of increasing interest to stakeholders in the last 23 months. Similarly, ESG issues and climate change has been on the board's agenda and we have received regular updates on the business's approach to ESG matters. More details of the business's engagement on ESG can be found on page 21.

Board effectiveness
A key component of governance is ensuring the board's efficacy in exercising its responsibilities. Each year we carry out a formal assessment of the effectiveness of the board and its committees, which this year took the form of an internal evaluation process overseen by the Nomination Committee. The findings of this review and how we are addressing our progress against these and last year can be found on page 123.

Corporate Governance Code
The board has applied the UK Corporate Governance Code 2018 for the year under review. Further details of how we applied it can be found in our statement of compliance on page 114.

Looking ahead
I noted in my last report that a key focus of the prior year was the implementation of the bank's new governance arrangements, including the establishment of the BRCC. We also formed the Remuneration Committee to strengthen the oversight of the board.

Building on these foundations the board has worked with the DLC to delineate the independent governance framework of the bank while maintaining the strong reciprocity between the bank's board and committees and those of the DLC which is central to the dual-listed governance framework.

We have been delivering the client-focused One Investec strategy. We've done this by reorganising our teams of product and service specialists and business enablement functions. This facilitates deeper collaboration between our banking and wealth businesses, which ensures we draw on the full breadth and depth of our capabilities to meet client needs. This client focus will continue.

The business has adapted to the UK's departure from the European Union although regulatory changes arising from Brexit impacting the financial services industry remain to be finalised. The rolling out of COVID-19 vaccines in the UK and worldwide holds the promise of a return to normal social interactions but it looks likely that the changes to working practices will remain for some time. Our workforce's wellbeing and the evolution of our internal controls in relation to cyber threats will continue to be a priority. The path of recovery for our clients will be significantly affected by the timing of the withdrawal of government support schemes and the broader economic outlook. The board will evaluate these vital elements carefully and adapt our approach to clients, staff and other stakeholders as required.

Brian Stevenson
Chair
22 June 2021

DIRECTOR BIOGRAPHIES

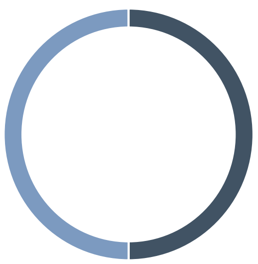
Who we are

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

Committee membership key

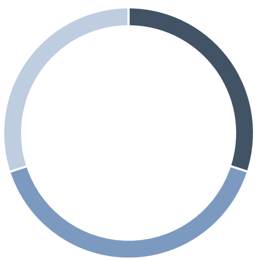
- B IBP BRCC
- N IBP Nomination Committee
- R IBP Remuneration Committee
- A IBP Audit Committee
- Denotes Committee Chair

Gender Diversity



Male	5
Female	5

Age



45-50	30.0%
51-59	40.0%
60-67	30.0%

Brian Stevenson

Chair

B N R

Appointed:
14 September 2016

Age: 67

Qualifications: MBA Business administration, ACIB, FCBI

Relevant skills and experience:
Brian has substantial strategy, governance and financial services experience having held a number of senior executive roles, including previously serving as CEO and chairman of Royal Bank of Scotland's global transaction services division, as well as various non-executive positions including Agricultural Bank of China (UK) Limited and Deutsche Bank Nederland NV including as chair of audit and risk committees.

External appointments:
Westpac Europe Limited.

Moni Mannings

Senior Independent non-executive director

A N R

Appointment
27 July 2016

Age: 58

Qualifications
LLB

Relevant skills and experience
Moni has extensive commercial, governance and advisory experience in finance and law having worked at Clifford Chance LLP before becoming a senior partner of Olswang LLP. She was also chief operating officer at Aistemos Limited, an AI and data analytics company. Moni is the bank's senior independent director (SID) and the designated workforce engagement non-executive director.

External appointments
Hargreaves Lansdown plc, Breedon Group plc, Easyjet plc and Barnardo's

Lesley Watkins

Independent non-executive director

A B R

Appointment
13 November 2018

Age: 62

Qualifications
BSc (Hons) Mathematics, FCA

Relevant skills and experience
Lesley has expert knowledge of audit and assurance and regulatory reporting having worked at PwC and subsequently as finance director of private equity firm, Calculus Capital. She also has significant experience of governance and strategy in financial services having been a managing director at UBS and Deutsche Bank as well as having been a non-executive and audit chair at the Competition Commission, Panmure Gordon & Co Plc and Game Digital plc.

External appointments
Braemar Shipping Services plc and Chaucer Syndicates Limited

Paul Seward

Independent non-executive director

A B

Appointment
1 April 2019

Age: 65

Qualifications
BSc (Hons) Mathematics

Relevant skills and experience
Paul has comprehensive experience of strategy and risk governance in financial services having held a number of senior executive roles including chief risk officer HSBC UK, as well as having held a number of non-executive directorships including M&S Bank, HSBC Asset Finance and HSBC Life (UK) Limited.

External appointments
Axis Bank UK Limited.

DIRECTOR BIOGRAPHIES
CONTINUED

David Germain

Independent non-executive director

B

Appointment
15 September 2020

Age: 45

Qualifications
FBCS, CITP

Relevant skills and experience
David was appointed in 2020 due to his extensive technology, operations and transformation experience in financial services. He is currently Chief Information Officer for RSA Ltd part of Intact Financial Corporation where he oversees a number of significant and complex IT transformation projects. He was previously Head of Technology, Operations and Product at the Royal Bank of Scotland Corporate and Private Banking, COO/CAO at Deutsche Bank Capital Markets, COO at Close Brothers Retail, Premium Finance and CIO at GE Capital Invoice Finance, Leasing and Corporate Finance.

External appointments
RSA Group plc

Henrietta Baldock

Independent non-executive director

Director of DLC board and member of DLC BRCC

Appointment
10 February 2021

Age: 49

Qualifications
BSc (Hons) Economics & Accounting

Relevant skills and experience:
Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as chair of the European Financial Institutions team at Bank of America Merrill Lynch, where she advised many boards in the sector on a number of significant transactions. This industry experience demonstrates her valuable strategic and transformation advisory skills.

External appointments:
Legal and General Group plc and Legal and General Assurance Society Limited

Zarina Bassa

Independent non-executive director

A

Chair of DLC Audit Committee, member of DLC BRCC, DLC Nomdac, DLC Remuneration Committee and DLC Senior Independent Non-Executive Director

Appointment
1 April 2017

Age: 57

Qualifications
BAcc, DipAcc, CA(SA)

Relevant skills and experience:
Zarina's previous appointments include partner of Ernst & Young, executive director of Absa Bank and head of Absa Private Bank, chair of the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board.She has also been a member of the Accounting Standard Board, and a non-executive director of the Financial Services Board, the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Mercedes South Africa and Vodacom South Africa Proprietary Limited. This background affords significant audit and risk experience in financial leadership, and regulatory reporting skills.

External appointments: JSE Limited, Oceana Group Limited, YeboYethu Limited (until 21 July 2021) and Woolworths Holdings Limited

Fani Titi

Executive director

Appointment
3 August 2011

Age: 58

Qualifications
BSc Hons (cum laude), MA, MBA

Relevant skills and experience:
Fani was a founding member of the Kagiso Trust Investments Limited, and later cofounded and led the public offering of Kagiso Media Limited. He was subsequently the founding executive chair of the Tiso Group, which later merged with Kagisgo Trust Investments Limited, to form Kagiso Tiso Holdings. Fani has served on the boards of a number of listed entities, and investment companies. He also joined the Secretary General of the United Nations CE Alliance on Global Investors for Sustainable Development (GISD). Fani brings strong investment banking and commercial expertise to the board.

External appointments
Ninety One plc

Ruth Leas

Executive director, IBP CEO

Appointment
27 July 2016

Age: 49

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

Relevant skills and experience
Ruth has deep knowledge of Investec and banking having worked for the Investec group for 23 years. Ruth joined Investec in South Africa in 1998 focusing on derivative structuring and sales. She moved to Investec in London in 2002 and in 2004 was appointed co-head of US Principal Finance focusing on credit derivatives and structured credit. Ruth joined the credit team in 2008, and then became head of UK Investor Relations in 2012. She was appointed as an executive director of the board of IBP in 2016 whilst head of risk management before becoming chief risk officer in June 2017. Ruth was appointed as IBP CEO in November 2019. Prior to Investec, Ruth was treasury economist for Gencor SA Limited, and took up this role after winning the Gencor-Chairman's scholarship to study at Cambridge University.

External appointments
UK Finance and Cambridge Judge Business School Advisory Board

Kevin McKenna

Executive director, IBP CRO

Appointment
10 May 2012

Age: 54

Qualifications
BCom, BAcc, CA(SA)

Relevant skills and experience
Kevin has substantial strategic, financial, operational and risk experience. He is a qualified accountant and previously worked for ING Baring's South Africa. He joined Investec as finance director for Investec Securities in 2000 after which he became chief operating officer for the Treasury and Specialised Finance/Corporate and Investment Banking division. He moved to London in this role in 2006 before being appointed as chief operating officer for IBP in 2011. He was appointed as chief risk officer for the bank in November 2019.

External appointments
None

GOVERNANCE FRAMEWORK

Investec Bank plc is a member of the Investec group which has a dual-listed company legal structure (DLC). The DLC comprises Investec plc, a public company incorporated in the UK and listed on the London Stock Exchange with a secondary listing on the Johannesburg Stock Exchange; and Investec Limited, a public company incorporated in South Africa and listed on the Johannesburg Stock Exchange, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange. Investec Bank plc is a subsidiary of Investec plc in the UK and is the Investec group's principal operating banking subsidiary in the UK. Members of the DLC board are appointed as members of Investec Bank plc committees to ensure strong reciprocity of oversight between the DLC board and its operating subsidiaries. Membership of the IBP committees are discussed in more detail in the relevant report below.

The group of companies comprising the Investec group's wealth management business, known as Investec Wealth, comprises a number of UK and SA subsidiaries, which in the UK are subsidiaries of Investec Bank plc. The Wealth business maintains an independent governance structure, comprising an independent board, audit committee, nomination committee, remuneration committee and risk committee which report to the DLC board and the applicable DLC board committee. The IBP board receives regular updates from the Chief Executive of Investec Wealth.

As a listed DLC structure, the DLC has regard to international corporate governance principles, listing rules and other regulations and best practice in both the UK and South Africa and adopts governance practices which meet the highest appropriate standard applicable in either or both jurisdictions.

For non-listed UK companies, the Companies (Miscellaneous Reporting) Regulations 2018 came into force for financial periods commencing after 1 January 2019 whereby very large private companies are required to include a statement of which corporate governance code, if any, has been applied and how. As a non-listed but significant operating subsidiary of the Investec group, similarly to the previous financial year, the IBP board deemed it appropriate to adopt and apply the UK Corporate Governance for the 2020/21 financial year. A summary statement of compliance with the various sections of this code is set out on page 114 and is described in detail throughout this governance report.

An overview of the core features of the bank's governance framework is shown below. Details of the governance framework of the DLC can be found in the DLC 2021 integrated annual report.

Investec Bank plc board

Our strategy page 4

Our principal risks page 48

s172(1) statement page 19

Board activities page 120

The board delegates certain matters to its four principal committees

IBP Audit Committee

- Monitors the integrity of the group's financial statements
- Evaluates the effectiveness of the group's internal controls
- Scrutinises the activities and performance of the internal and external auditors

Read more on page 128

IBP Remuneration Committee

- Oversees the implementation of the policy for IBP directors' remuneration and setting remuneration for IBP's executive directors and senior management and any identified employees required by regulation

Read more on page 148

IBP Nomination Committee

- Reviews the composition of the board
- Recommends the appointments of new directors
- Considers succession plans for the board and senior management
- Oversees the board effectiveness review

Read more on page 124

IBP Board Risk & Capital Committee

- Monitors and recommends the group's risk appetite
- Monitors the group's risk profile
- Considers and reports on key financial and non-financial risk issues

Read more on page 136

Supporting Committees

Various supporting governance committees comprising executive management and applicable functional specialists oversee discrete components of Investec Bank plc's internal control framework and report on this principally to the IBP Audit Committee and BRCC

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2018 (the code) applied to the bank for the financial year ended 31 March 2021. The board confirms that the bank has complied with the principles, the application of which are evidenced throughout this report. The table below is designed to help stakeholders evaluate how this has been achieved. The board considers that compliance has been achieved throughout the year.

Board leadership and company purpose

A. An effective entrepreneurial board, which is collectively responsible for the long-term sustainable success of the bank, ensuring due regard is paid to the interests of our stakeholders. Please refer to page 113 for the details of the bank's governance framework, and pages 111-112 for the directors' biographies

B. Purpose, values and strategy are aligned with culture, which is promoted by the board (read more on page 19)

C. Resources allow the bank to meet its objectives and measure performance. A framework of controls enables assessment and management of risk (read more in Section 3 of this report)

D. Engagement with the bank's stakeholders is effective and encourages their participation (read more on page 19)

E. Workforce policies and practices are consistent with the Investec group's purpose and values, and overseen by the board (read more on page 20). The workforce is able to raise matters of concern, and responsibility for whistleblowing arrangements sits with the IBP Audit Committee, as detailed on page 134

Division of responsibilities

F. The chair has overall responsibility for the leadership of the board and for ensuring its effectiveness in all aspects of its operations. The chair, Brian Stevenson, was considered to be independent on appointment. The responsibilities of the chair are set out on page 115

G. There is a clear division of responsibilities at the head of the company. There is a clear separation between the role of the chair and CEO. The board comprises an appropriate combination of non-executive and executive directors (read more on page 115)

H. Non-executive directors are advised of time commitments prior to appointment. The time commitments of the directors are considered by the board on appointment, and annually thereafter. External appointments, which may affect existing time commitments, must be agreed with the chair, and prior approval must be obtained before taking on any new external appointments.

I. The company secretaries and the correct policies, processes, information, time and resources support the functioning of the board.

Composition, succession and evaluation

J. There is a procedure for board appointments and succession plans for board and senior management which recognise merit and promote diversity (read more on page 127)

K. There is a combination of skills, experience and knowledge across the board and the board committees. Independence, tenure and membership are regularly considered (read more on page 116)

L. The annual effectiveness review of the board and the individual directors considers overall composition, diversity, effectiveness and contribution (read more on page 124)

Audit, risks and internal controls

M. Policies and procedures have been established to ensure the independence and effectiveness of the internal and external audit functions. The board satisfies itself of the integrity of the bank's financial and narrative statements (read more on pages 128-135)

N. The board presents a fair, balanced and understandable assessment of the bank's position and prospects (read more on page 133)

O. Procedures are in place to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the bank is willing to take in order to achieve its long-term strategic objectives (read more on page 13)

Remuneration

P. The bank is committed to offering all employees a reward package that is competitive, performance-driven and fair. Our policies are designed to support the bank's strategy and to promote its long-term sustainable success, with executive remuneration aligned to our purpose, values and strategic delivery (read more on page 149)

Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration (read more on pages 148-166)

R. The remuneration policy seeks to ensure all remuneration decisions made by directors, fully consider the wider circumstances as appropriate, including, but not limited to, individual performance (read more on pages 149)

BOARD AND EXECUTIVE ROLES

The key governance roles and responsibilities of the board are outlined below:

Chair

- Leads the effective operation and governance of the board
- Sets agendas which support efficient and balanced decision-making
- Ensures effective board relationships and a culture that supports constructive discussion, challenge and debate
- Together with the Group chair, leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all board members
- Oversees the evaluation of the performance of the board collectively, non-executive board members individually and contributes to the evaluation of the performance of the executive directors
- Ensures that the board sets the tone from the top, in regards to culture
- Serves as the primary senior interface with regulators and the Investec group on behalf of the board

Chief Executive

- Leads and manages the bank within the authorities delegated by the board
- Proposes and directs the delivery of strategy as agreed by the board
- Develops and recommends business plans, policies, strategies and objectives for consideration by the board, taking into consideration business, economic and political trends that may affect the operations of the bank
- Ensures the bank's culture is embedded and perpetuated across the organisation
- Develops and supports the growth of all the bank's businesses
- Monitors and manages the day-to-day operational requirements and administration of the group
- Manages the bank's risk appetite

Chief Risk Officer

- Responsible for the effective management of risk within the bank
- Ensures that the bank's risk management, conduct and governance processes and procedures are effective
- Provides the board with updates on the bank's risk management, conduct and governance processes
- Observes and manages within the bank's risk appetite

Senior Independent Director

- Provides a sounding board to the chair
- Leads the board in the assessment of the effectiveness of the chair
- Acts as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board
- Addresses any concerns from shareholders and other stakeholders if they have any which are unable to be resolved through normal channels, or if contact through these channels is deemed inappropriate

Non-executive director

- Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals
- Constructively challenges and contributes to assist in developing the group's strategy
- Monitors the performance of management against their agreed strategic goals
- Oversees the effectiveness of internal controls and the integrity of financial reporting
- Reviews succession planning for the board and management
- Oversees the risk management framework
- Oversees the remuneration of the executive directors and the group's employees

Company Secretary

- Maintains the flow of information to the board and its committees and ensures compliance with board procedures
- Ensures and keeps the board updated on corporate governance developments
- Facilitates a programme for the induction and ongoing development of directors
- Provides advice, services and support to all directors as and when required

BOARD AND EXECUTIVE ROLES
CONTINUED

Board composition
Membership
At the date of this annual report, the board comprised three executive directors and seven non-executive directors, including the chairman. The changes to the composition of the board, which occurred during the year are as follows:

- David Germain was appointed as a non-executive director on 15 September 2020
- Henrietta Baldock was appointed as a non-executive director on 10 February 2021
- Chris Meyer stepped down as an executive director on 23 July 2020
- Alistair Stuart stepped down as an executive director on 23 July 2020
- Ryan Tholet stepped down as an executive director on 23 July 2020
- David Friedland stepped down as a non-executive director on 15 September 2020.

The names of the directors during the year and at the date of this annual report, and the dates of their appointments are set out on page 143.

The board, with the assistance of the IBP Nomination Committee, will continue to review and monitor the composition of the board, with particular regard to the breadth of skills, knowledge, experience and diversity of the members.

Further information regarding the bank's approach to management and board succession planning may be found in the IBP Nomination Committee report on page 127.

Further details in relation to the Investec group's approach to management and board succession plan may be found in Investec group's 2021 integrated annual report.

Independence
The board considers the guidance set out in the UK Corporate Governance Code when considering the independence of members of the board. Throughout the year ended 31 March 2021, the board was compliant with the UK Corporate Governance Code in that the majority of the board, excluding the chairman, comprised of independent non-executive directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge is a fundamental component of how the board operates.

The IBP Nomination Committee, which has been delegated the responsibility of reviewing the directors' independence, considers all relevant circumstances in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the executive board members.

The board, at the recommendation of the IBP Nomination Committee, believes that it functions effectively and that the non-executive directors are independent of management and promote the interests of stakeholders. The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the Chair of the bank, Brian Stevenson, was independent on appointment. Prior to becoming the Chair, Brian Stevenson was the senior independent director of the board.

Tenure
As identified, the IBP Nomination Committee considers the guidance set out in the UK Corporate Governance Code when considering the independence of the non-executive directors, and follows a thorough process of assessing independence on an annual basis for each director. The IBP Nomination Committee considers tenure when examining independence, and when discussing the composition of the board as a whole.

The board and the IBP Nomination Committee are mindful that there needs to be a balance resulting from the benefits brought by new independent directors, versus retaining individuals with the appropriate skills, knowledge and experience, and an understanding of the bank's culture.

The board's non-executive directors have all served on the board for less than nine years. Accordingly, the board does not believe that the tenure of any of the non-executive directors interferes with their independence of judgement and ability to act in the bank's best interest.

Diversity
In considering the composition of the board, the board is mindful of all aspects of diversity, including gender, race and ethnicity. As a bank, we recognise that having a diverse board is a clear benefit, bringing with it distinct and alternative viewpoints, and mindsets able to challenge the status quo. The board is committed to ensuring that the bank meets its governance, social and regulatory obligations regarding diversity. The bank has a board diversity policy and has signed the Women in Finance Charter and the Race at Work Charter setting out the targets for board and senior management composition in terms of gender and race.

As at the date of this report, there was a 50% representation of women on the board and four persons of colour on the board, reflecting 40% representation. We are proud of the progress made to increase diversity and there remains a strong pipeline of diverse employees, whose progress into more senior roles, including board roles, we will continue to strongly support. Diversity remains a focus when reviewing succession plans for the board and senior management.

Skills, knowledge and experience
The board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities, and the objectives of the bank.

BOARD AND EXECUTIVE ROLES
CONTINUED

Induction, training and development
On appointment to the board, all directors receive a comprehensive induction which is tailored to the new director's individual requirements. The induction schedule is designed to provide the new director with an understanding of how the bank works and the key issues that it faces. The company secretary consults the Chair when designing an induction schedule, giving consideration to the particular needs of the new director. When a director is joining a board committee, the schedule includes an induction to the operations of that committee.

Terms of appointment
On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member. The bank has a directors' and officers' liability insurance policy that insures directors against liabilities they may incur in the proper performance of their duties.

On the recommendation of the IBP Nomination Committee, non-executive directors will be appointed for an expected term of nine years (three terms of three years each) from the date of their first appointment to the board.

Independent advice
Through the Chair, the SID or the company secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the bank. No such advice was sought during the 2021 financial year.

Conflicts of interest
Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 (the Act). In accordance with the Act and the articles of association (the articles), the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the articles, that includes a requirement for directors to submit in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval. The procedure also requires notification and consideration by the Investec group.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

Company secretary
David Miller is the company secretary of the bank. The company secretary is professionally qualified and has gained experience over a number of years. His services are evaluated by board members during the annual board effectiveness review. He is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary whose appointment and removal is a board matter.

BOARD COMPOSITION

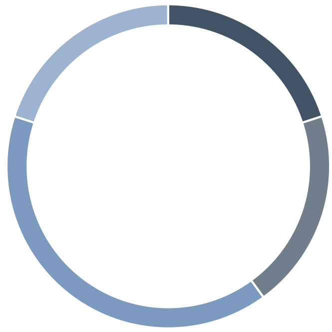
An experienced and diverse team

We have designed the composition of the board to ensure that we have the appropriate mix of knowledge, skills, experience, independence and diversity to provide the range of perspectives, insights and challenge needed to support good decision-making in order to support the delivery of the bank's strategic objectives.

We consider the collective skills and experience of the directors when assessing the overall composition and suitability of the board. The current collective skills and sector experience of the board include the following areas: banking, risk, regulatory, strategic thinking, digital and ESG. The key skills and experience of specific directors are detailed in their respective biographies on pages 111 to 112.

Further information on board composition can be found on page 116.

Board tenure



0-2 years	20%
2-4 years	20%
4-6 years	40%
6-9 years	20%

Diversity
The board remained focused on inclusion and diversity with the intention to set the tone and direction for the bank as an inclusive employer, with diverse teams delivering for the benefit of all stakeholders.

In March 2021 the board considered and approved updates to the Board Diversity and Inclusion Policy which references the measurable objectives set for the bank. The bank has signed up to the HM Treasury Women in Finance Charter and the Race at Work Charter. In accordance with the Women in Finance Charter, the bank has set a 30% target for female representation in senior leadership roles by 2022.

The bank is also committed to increasing the representation of Black, Asian and Minority Ethnic senior leadership. The board is proud of its progress in line with its commitments to enhance diversity and recognises the importance and benefit of increasing diversity both at a board and entity level.

The gender balance of those in senior management is provided in the 2021 Investec group sustainability and ESG supplementary report.

New appointments are made on merit, taking account of the specific, skills and experience, independence and knowledge needed to ensure a rounded board and the diverse benefits each candidate can bring to the overall board composition.

The composition of the board can be seen in the directors' report on page 143. In terms of diversity on the board:

- 50% of the board are female
- 40% of the board are Black, Asian and Minority Ethnic

Diversity will remain an area of focus when considering any succession plans.

Further information on the bank's broader approach to diversity and inclusion can be found on page 25.

BOARD COMPOSITION
CONTINUED

Board composition as at 31 March 2021

			Investec Bank plc (10 meetings in the year)	
Members	**Independent**	**Board member since**	Attended	Eligible to attend
Brian Stevenson (chair)	On appointment	14 Sep 2016	10	10
Ruth Leas (CEO)	Executive	27 Jul 2016	10	10
Henrietta Baldock	Yes	10 Feb 2021	2	2
Zarina Bassa	Yes	1 Apr 2017	10	10
David Friedland[1]	Yes	1 May 2013	7	7
David Germain	Yes	15 Sep 2020	4	4
Moni Mannings	Yes	27 Jul 2016	10	10
Kevin McKenna[4]	Yes	10 May 2012	9	10
Chris Meyer[2,3]	Executive	19 Nov 2019	3	6
Paul Seward	Yes	1 Apr 2019	10	10
Alistair Stuart[2]	Executive	19 Nov 2019	6	6
Ryan Tholet[2]	Executive	19 Nov 2019	6	6
Fani Titi	Executive	3 Aug 2011	10	10
Lesley Watkins	Yes	13 Nov 2018	10	10

1. David Friedland stepped down from the board on 15 September 2020.
2. Chris Meyer, Alistair Stuart and Ryan Tholet stepped down from the board on 23 July 2020.
3. Unable to attend due to prior business commitments.
4. The Chairman excused Kevin McKenna from the board meeting in September 2020 due to circumstances out of his control.
5. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the board.

Summary board activities

	8 Apr	1 May	18 May	22 Jun	10 Jul	22 Jul	15 Sep	17 Nov	10 Feb	16 Mar
Strategy	●	●	●	●	●	●	●		●	●
Financial management and performance	●	●	●		●	●	●	●	●	●
Operating context	●	●	●	●		●	●	●	●	●
Risk and assurance	●	●	●	●	●	●	●	●	●	●
People strategy, leadership and succession	●	●	●	●	●	●	●		●	●
Remuneration		●	●	●		●				●
Culture and values	●	●				●	●	●	●	●
Operational resilience	●	●	●	●		●	●			●
Conduct		●	●		●	●		●		●
ESG			●	●	●	●			●	●

BOARD ACTIVITIES

What we did in 2020/21

2020

April

- Reviewed the initial impact of COVID-19 on the bank in terms of any customer issues, operational resilience and other risk matters. An update was also provided in regards to staff in the UK and also in South Africa, in particular wellbeing and the impact on variable remuneration.

May

- An ad-hoc meeting was scheduled to review the ongoing impact of COVID-19 on the bank's performance and staff, with an update on the support being provided in terms of assisting in wellbeing and health. An update on management's strategic review of the business was provided as well as the key considerations for preparations in terms of returning the workforce to the office. An update on regulatory interaction was also provided
- The board approved the financial statements for FY2020
- The board received an update summarising the impact of the market dislocation and dividend cancellations on the Structured Products business.

June

- Ad-hoc meeting was arranged to review and consider the proposed joint venture (JV) of Investec Capital Services India Ltd (ICSI) with the State Bank of India
- Approved the market risk Value at Risk (VaR) risk appetite limit to accommodate a downside protection macro-hedge for the Structured Products desk that had been executed in May 2020
- Considered the letter from the Prudential Regulation Authority (PRA) providing feedback following its periodic summary meeting.

July

- Ad-hoc meeting was arranged to approve the JV of ICSI with the State Bank of India following the receipt and consideration of further information as requested
- Update was provided on internal restructuring within the bank following the strategic review
- Challenged and approved the budget which included the proposal to simplify the bank's structure, exit Australia and to commence with the redundancy programme
- Received a detailed presentation of the culture review undertaken in the risk and compliance function
- Approved the stepping down of C Meyer, A Stuart and R Tholet from the board.

BOARD ACTIVITIES
CONTINUED

2020

September

- Approved the appointment of D Germain and the stepping down of D Friedland
- Approved the traded market risk appetite and the Contingency Funding Plan
- Received an update on the strategic review of the Structured Products desk and the de-risking activity
- Considered the succession plan for the non-executive and executive directors
- Received a detailed presentation on workforce engagement including key themes and actions.

Read more on workforce engagement on page 20.

November

- An update on performance was provided which included the progress to exit Australia
- An update on the Financial Products desk was received
- Approved the ILAAP, ICCAP and RRP
- Reviewed the annual whistleblowing report
- Approved the updated traded market risk appetite
- Considered and approved the financial results for the half year ended 30 September 2020
- Approved an interim dividend.

2021

February

- Received an in-depth presentation from the People & Organisation team on the impact of the redundancy programme to staff, staff wellbeing and support on offer
- Approved risk appetite and policies
- Discussed the outcome of the annual board effectiveness review and agreed actions arising from it
- Received a presentation from the Investec US leadership on the business
- Approved the appointment of Henrietta Baldock.

March

- Approved the 2021/22 budget
- Approved the Board Diversity and Inclusion Policy
- Approved the Gender Pay Gap Report
- Received an update on the Private Clients & High Net Worth business
- Received an update on Investec Bank (Channel Islands) Limited business
- Approved terms of reference
- Approved capital policies and the tax risk strategy and policy
- Approved liquidity risk appetite.

BOARD ACTIVITIES
CONTINUED

How the board engages with our stakeholders

Purpose-led considerations
We believe that effective governance enables us to deliver our purpose, vision and strategy.

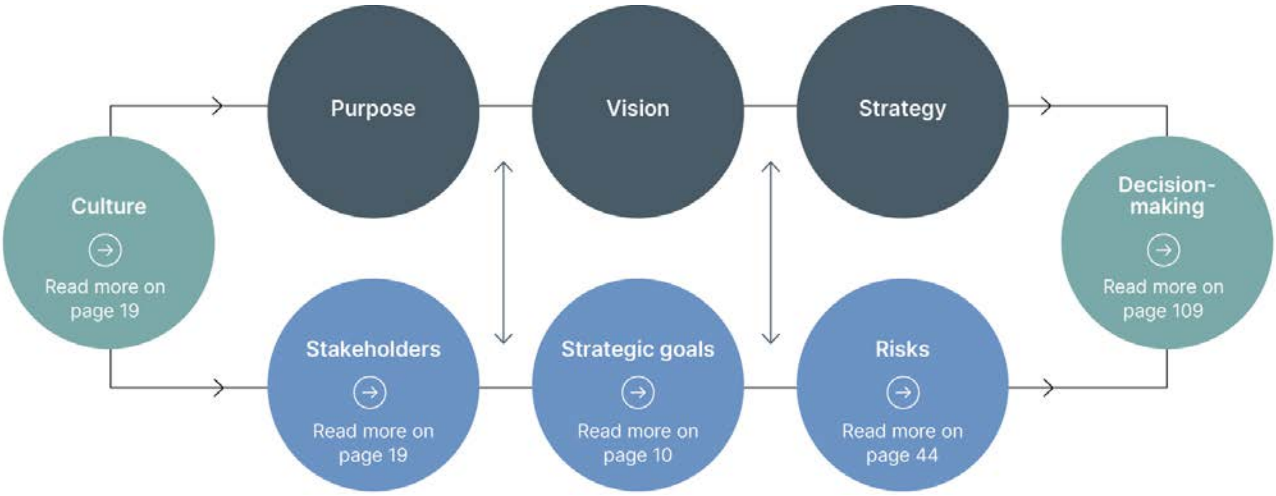
During the year, given the impact of the COVID-19 pandemic, the board has focused on protecting the health and wellbeing of our people, and supporting our clients, communities, and other stakeholders. At the same time, it has ensured that the bank remains secure and resilient, both financially and operationally.

The challenges posed by the COVID-19 pandemic enabled us to consider how to balance decisions in a way that optimises our strategy, accounts for the interests of all our stakeholders, and supports the promotion of our purpose and unique culture.

Achieving this balance demands a board that prizes constructive challenge, openness and diversity and is committed to act fairly and in the interests of all our stakeholders.

The views, perspectives and insights of our key stakeholder groups are influential factors that are considered whenever we make key operational, investment and business decisions.

Further information about our key stakeholder groups, including engagement, views and outcomes can be found on page 19.



Workforce engagement
The recognition that our people are vital to the delivery of the bank's strategy is reflected by the board's extensive engagement with employees during the year.

The board agreed its approach to workforce engagement in 2019, as detailed in last year's annual report, and this has remained unchanged.

The designated IBP director with responsibility for workforce engagement, Moni Mannings, meets with the DLC responsible director, Philip Hourquebie, and for Investec Wealth, Cath Thorpe on a quarterly basis.

A workforce engagement report is provided to the quarterly meetings, which comprises a summary of the board and management's employee engagement activity, the key issues raised by employees, and the actions undertaken to address those issues.

During the year, our workforce engagement reports covered all matters related to workforce engagement, including strategy, culture, remuneration and our response to the COVID-19 pandemic.

Management subsequently report the engagement activities to their respective boards, with the designated non-executive director highlighting the matters of interest from our people to support the key decision-making of their respective boards.

A number of issues identified by workforce engagement activities were valuable in informing board discussions and decisions. These included decisions taken regarding the future of work, such as our workplace solutions and working practices going forward, and the progress of key strategic initiatives including One Investec and our client-led strategy.

The board also agreed various measures of support for employees in response to the COVID-19 pandemic, including the prioritisation of employee wellbeing, with additional resources being made available to support our people.

Further information on the board's engagement with our workforce can be found on page 20.

BOARD ACTIVITIES
CONTINUED

Board effectiveness

The board's annual effectiveness review, which is facilitated externally at least once every three years, provides an opportunity for the board to reflect, and to consider ways of identifying greater efficiencies, maximising strengths and highlighting potential areas of further development, to enable the board to continue to enhance its own performance.

An external effectiveness review was last conducted in 2018, facilitated by Professor Robert Goffee, an external governance specialist, with internal reviews conducted in 2019 and 2020. The 2021 review is currently expected to be externally facilitated, and the search process for the external facilitators will commence in due course.

Below, we outline the various stages of the 2020 internal review.

Stage 1
The Nomination Committee, with the assistance of the company secretary, prepared a self-assessment questionnaire, which was distributed digitally to all the directors for completion. The questionnaire sought the directors' views on a range of topics including: the performance and effectiveness of the board and the board committees; the balance of skills, knowledge, experience and diversity; board composition and size; the quality and timeliness of information; strategy; planning and performance; culture; and the company secretarial support for directors and committees.

Stage 2
The chair held a one on one meeting with each of the directors. These meetings were to discuss the responses to the questionnaire, and to provide the opportunity to raise any other matters pertaining to the board or the board committees.

Stage 3
A report was prepared by the company secretaries, based on the results of the questionnaire and the matters raised in the meetings with the chair.

The draft report was then discussed with the chair, whose feedback was incorporated into a final discussion paper for onward circulation.

Stage 4
The final report was presented to the board in February 2021, following its consideration by the Nomination Committee.

A thorough review and discussion took place, with actions agreed for implementation and monitoring.

Overall, the board members were satisfied that the board was working effectively and the areas for improvement from the previous year had largely been addressed.

Board review insights
The review identified the particular strengths of the board to be the improved balance of non-executive directors and executive directors, its collaborative nature, and the level of constructive challenge provided.

From a development perspective, the review highlighted certain areas of focus that would further improve the effectiveness of the board. These were considered by the board and an appropriate action plan agreed.

Committees
The board committees were also reviewed and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous manner in which they addressed any issues brought to their attention.

The visibility of discussions held at the Nomination Committee and Remuneration Committee was an area identified for improvement and was part of the action plan.

Chair
The chair was considered to provide robust leadership for the board, and to strengthen the link between the executive and non-executive members of the board.

Board action plan

The board action plan for 2020/21 includes:

- Strategy: The board would be given an opportunity to meet and solely focus on the strategy of the bank
- Visibility of discussions held at the Nomination Committee and Remuneration Committee: Use of the non-executive director only meetings, where required, would allow for salient and, sometimes sensitive, matters covered in the committees to be shared.

Stages of the board review

IBP NOMINATION COMMITTEE REPORT

Brian Stevenson
Chair of IBP Nomination Committee

Key achievements in 2020/21
- Recommended the appointments of David Germain and Henrietta Baldock to the board
- Recommended changes to streamline executive membership
- Reviewed diversity performance, including the approval of the updated board diversity policy
- Considered the succession plans for the board and senior management
- Reviewed the skills, knowledge, experience and diversity of the board
- Considered the board effectiveness review.

Areas of focus in 2021/22
- Consider the succession plans for the board and senior management
- Review the composition of the board and the principal board committees
- Review the skills, knowledge, experience and diversity of the board
- Coordinate the external facilitation of the board effectiveness review
- Have regard to workforce engagement in decision-making

Members	Member since	Meetings attended	Eligible to attend
Brian Stevenson (Chair)	16 May 2019	6	6
Perry Crosthwaite	13 Mar 2019	6	6
Moni Mannings	16 May 2017	6	6

1 Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the committee.

Introduction

I am pleased to present the IBP Nomination Committee (the committee) report. The role of the committee is to have oversight of the composition and effectiveness of the board and its key governance arrangements. This has been particularly important during the current challenging macro-economic and operating environment.

Succession planning

During the year, the committee continued to focus on succession planning for both the board and senior managers. In addition to ensuring a balance of collective skills that are required to meet the bank's strategic goals, the committee has also considered the alignment to the bank's culture and values of diversity and inclusion. The committee also has regard to the principles of the UK Corporate Governance Code as well as recommendations made within the Parker and Hampton-Alexander Review.

The committee considered the composition of the board and decided to rebalance the board to align with our core strategic objectives and our client segments. This resulted in a number of executive directors stepping down including Chris Meyer, Ryan Tholet and Alistair Stuart.

As I mentioned last year, the committee had identified the need for additional expertise in the areas of technology and operational resilience. As a result, the board appointed David Germain as an additional independent non-executive director in September 2020 due to his executive experience in these areas.

Further details of the selection process for this appointment can be found on page 127.

Working together with the bank's parent company, Investec plc, the committee recommended the appointment of Henrietta Baldock, an independent non-executive director of Investec plc, to the board in February 2021 as a group representative non-executive director. At the same time, David Friedland, previously a Group representative non-executive director, stepped down from the board. The board thanks David for his dedication and valuable input during his tenure. David remains a member of the IBP Board Risk and Capital Committee (BRCC) to ensure a connection with the DLC BRCC.

Further details on the committee's approach to succession planning can be found on page 127.

Board effectiveness

The committee oversaw the board effectiveness review, and assessed the feedback from the evaluation process.

Full details of the board effectiveness review, including the evaluation of the committee's effectiveness are provided on page 123.

The 2021 board effectiveness review is currently expected to be facilitated externally, in line with the recommended approach set out in the UK Corporate Governance Code. The committee will work in conjunction with the DLC Nomination and Directors' Affairs Committee in the appointment of an external facilitator.

Board diversity

The committee remained focused on ensuring the board considered diversity when considering composition and succession planning.

Further details on our Board Diversity and Inclusion Policy can be found on page 25.

IBP NOMINATION COMMITTEE REPORT
CONTINUED

Roles and responsibilities
The role of the committee is to keep the board's composition, skills, experience, knowledge, independence and succession arrangements under review and to ensure that appropriate procedures are in place for nominating training and evaluating directors. Due regard is given to the benefits of diverse senior leadership, including diversity of thought, gender, social background and ethnicity.

The committee reports to the board on how it discharges its responsibilities and makes appropriate recommendations to the board.

Committee composition, skills and experience
The committee is composed of independent non-executive directors and a chairman who was independent on appointment. The Chair of the DLC Nomination and Directors' Affairs Committee is also a member to ensure alignment between the bank and its parent. Membership is designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the committee.

Looking ahead
In 2021/22, the committee will continue to review the composition of the board and the board committees, taking into consideration changes in technology, the continuing uncertainty across the UK and changes as a result of COVID-19, while being mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. Below board level there will be a continued focus on succession planning and ensuring appropriate interaction between senior management and the board. The board will continue to assess its composition in light of the strategy and evolving market conditions.

Brian Stevenson
Chair, IBP Nomination Committee
22 June 2021

IBP NOMINATION COMMITTEE REPORT
CONTINUED

What we did in 2020/21

2020

May

- Reviewed and approved appointments on the subsidiary boards of Investec Private Finance Limited and Investec bank (Channel Islands) Limited
- Reviewed and approved the appointment of Ruth Leas to the UK Finance Board
- Reviewed the succession plans for the executive and non-executive directors.

July

- Reviewed internal and external directorships held by bank directors
- Reviewed the board composition, particularly in terms of executive directors and recommended that Alistair Stuart, Ryan Tholet and Chris Meyer step down from the board.

September

- Recommended the resignation of David Friedland as a non-executive director
- Recommended the appointment of Henrietta Baldock as a non-executive director
- Recommended the appointment of David Germain as a non-executive director
- Reviewed the non-executive and executive director succession plans
- Reviewed and recommended the approval of the Management Responsibilities Map.

December

- Approved the broadening of the committee's remit to cover succession planning and approving the appointment of non-board senior managers who held or were proposed to hold a control function as well as chair appointments for the bank's principal subsidiaries
- Monitored the efficacy of board composition changes
- Considered initial feedback from the board effectiveness review
- Recommended the approval process for external directorships be extended to require notification to the Chair and Chief Executive Officer of the Investec group as part of the conflicts of interest check.

2021

February

- Considered the results of the board effectiveness review
- Approved the suitability assessment of board members.

Read more on board effectiveness on page 123.

March

- Approved the Board Diversity and Inclusion Policy
- Reviewed and considered the Hampton Alexander Review update covering the progress made over the last five years
- Reviewed and recommended the approval of the committee's terms of reference.

Read more on diversity on page 25.

IBP NOMINATION COMMITTEE REPORT
CONTINUED

Succession planning
Robust succession planning takes into account current and future business needs and ensures a good balance of skills, experience and effectiveness, while recognising the benefits of diversity.

Effective succession planning should take into account contingency planning (for any unforeseen departures or unexpected absences), medium-term planning (orderly refreshing of the board and board committees) and long-term planning (looking ahead to the skills, experience and knowledge that may be required on the board in the future).

Effective succession planning also contributes to the ability of the bank to deliver on its strategic objectives.

The committee reviewed the succession plans for non-executive and executive directors identifying 'step in' successors and longer-term candidates throughout the financial year. In both the short-term and longer term plans for non-executive directors, key elements were adhered to in terms of knowledge, qualifications, diversity, culture and skills. For executive directors, the curricula vitae (CVs) of the potential successors were reviewed and the committee discussed the requirement to further develop potential successors in order to broaden their experience and knowledge.

The committee, aligned with regulatory expectations, agreed to broaden its responsibilities, and consider succession planning for, and appointments of, non-board senior managers who held, or were to hold, a control function. The succession planning for senior leadership and control functions had been drafted with an emphasis on diversity and promoting within the bank through developing our employees.

Based on feedback from prior year board effectiveness reviews, the committee also considered how the board acquaints itself with the constituency of the wider succession plan. The board continues to explore ways to increase the interaction between senior executives and non-executives. The committee has proposed that the board's annual work plan incorporate presentations from the newly formed client sector groups and business enablement and assurance functions in order to gain exposure to the leadership team and receive deep dives into the applicable business units and functions.

Board composition
The committee has continued to review its composition for board and board committees. There have been a number of changes throughout the financial year as already referenced. The key drivers for the changes were:

- The reduction of executive directors on the board was decided to better align with the strategic objective to simplify the business and enhance the balance of non-executive directors and executive directors. This now stands at 70% non-executive and 30% executive directors
- The interconnection between the bank and its parent has remained of paramount importance. The appointment of Henrietta Baldock, has ensured that this remained, while strengthening the board's collective UK banking experience. Henrietta brings a wealth of experience to the bank as noted in the director biographies on page 112
- David Germain was appointed in September 2020 to enhance the technological experience of the board, as already noted. Ahead of David's appointment, an external search for candidates was conducted using the independent external search firm, Russell Reynolds. Russell Reynolds was utilised by both the bank and the Investec group and does not have any connection to the Investec group or any of the directors other than to assist with searches for executive and non-executive talent with the relevant skills and experience. The committee provided guidance on the skills required of candidates and, through the chair and the company secretary, were involved in providing a detailed job description. Frequent updates were provided to the committee throughout the search. Candidates were considered based on merit, against an objective criteria, and taking into due regard the benefits of diversity on the board
- Following the proposal to appoint Henrietta Baldock, the resignation of David Friedland was considered to ensure that there was an appropriate balance of IBP and Investec group non-executive directors. David Friedland remains a member of the IBP Board Risk and Capital Committee (BRCC), to maintain the interconnectivity between the IBP BRCC and DLC BRCC.

IBP AUDIT COMMITTEE REPORT

Lesley Watkins
Chair of the IBP Audit Committee

Key achievements in FY 2021
- Reviewed macro-economic assumptions and stress test scenarios and their impact on credit model expected credit loss (ECL) forecasts in light of evolving COVID-19 outlook
- Assessed whether internal audit and compliance monitoring plans were risk-focused, flexible and responsive to the COVID-19 situation, particularly for overseas operations
- Assessed the appropriateness of the timing and value of revenue recognition in the financial statements arising from the Structured Products business and management's actions to de-risk the book
- Monitored the implementation of the recommendations arising from Grant Thornton's review of internal audit effectiveness carried out in FY2021
- Assessed the appropriateness of the accounting treatment for disposals and discontinued operations post the year end, including Investec's presence in Australia and Hong Kong, and also the joint venture arrangement in India
- Assessed the appropriateness of segmental accounting treatment for the bank in light of strategic organisational changes

Areas of focus in FY 2022
- Monitor credit model/ECL forecasts as government COVID-19 support is withdrawn
- Continue to oversee the internal control environment having regard to both home and office working by employees
- Consider the accounting and disclosure implications, if any, of emerging ESG and climate change themes
- Assess the need for any updates to contingent liabilities in relation to uncertain tax issues and legal proceedings, and any further impairment charges arising from principal investments on the balance sheet

Meetings held in 2020/21			
Members	Member since	Eligible to attend[1]	Attended
Lesley Watkins (chair)	13 Nov 2018	10	10
Zarina Bassa	1 Apr 2017	10	10
Moni Mannings	2 Jul 2017	10	10
Paul Seward	1 Apr 2019	10	10

1. Includes two combined audit and BRCC meetings held on 14 May 2020 and 4 June 2020.
2. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the committee.

Introduction

I am pleased to present you with the report of the IBP Audit Committee for the financial year ended 31 March 2021.

When I wrote to you last year, there was a high degree of uncertainty around the impact of COVID-19, the effectiveness of measures introduced by government and the extent of any consequent economic downturn. This year end, despite the world having acclimatised to the ongoing pandemic, the uncertainty remains. The protracted closure of sectors of the global economy has changed consumer behaviours and weakened some business sectors (for example leisure and tourism) while others have strengthened (for example, online commerce). Meanwhile, vaccine programmes and the re-opening of global economies are progressing at an uneven pace. The uncertainty now is the shape, speed and strength of the economic recovery.

A key focus for the committee has been in-depth consideration of assumptions, key accounting judgements and impairment assessments in light of revised credit model output and valuation assessments.

A second key focus during the year has been the internal control environment particularly as the majority of the workforce has been working at home which has required significant adaptations to working practices and processes.

Financial risks

To help mitigate the impact of COVID-19, unprecedented levels of government support schemes have been rolled out over time, the impact of which is not easily quantifiable in economic scenarios. The result has been a de-coupling of the traditional relationship between macro-economic factors and credit models. The committee has devoted time to assessing management's estimates of the appropriate ECL assumptions for the bank's lending portfolios. This has included reviewing the outcome of a benchmarking exercise undertaken by management to assess the bank's ECLs, the COVID-19 ECL overlay, credit loss ratios and coverage ratios for assets in the context of those reported by other UK banks. Although the nature of the

IBP AUDIT COMMITTEE REPORT
CONTINUED

bank's portfolio is different from other banks making an exact comparison impossible, the bank's coverage ratios were found to be within the benchmarking range of other comparable UK banks.

In addition, the committee has scrutinised management's assessment of valuations for the bank's principal investments and mark-to-market and hedged positions associated with the structured deposits and financial derivatives business – both of which have been adversely affected by the unprecedented and unpredictable dislocation in certain derivatives markets, significant downward moves in equity markets and lack of liquidity which has resulted in greater difficulties than usual in valuing these books of complex instruments.

The committee has also reviewed the implications for the financial statements of the bank's strategic change projects, including the appropriate accounting treatments arising from the cessation of activities in Australia and Hong Kong, and the bank's joint venture arrangement in India.

Further details of the key accounting issues considered by the committee are set out on the following pages.

Internal control environment
The bank's internal control framework was already well-developed; however the rapid and widespread transition to the workforce working at home has required an increased focus on the efficacy of the bank's internal control framework. The committee has reviewed the output of the internal audit and compliance monitoring plans and received updates from management's Risk & Control Forum. Following the review by Grant Thornton to deliver an external quality assessment of the internal audit function the committee has overseen the implementation of recommendations arising from this in relation to the continuous internal audit improvement plan.

Further details of the internal control issues considered by the committee during the year are set out on the following pages.

Looking ahead
The committee will continue to assess the ongoing impact of COVID-19 as the UK and the world enter into a crucial phase of vaccine roll-out. This promises to see social interaction return but also an expectation that government support schemes will be gradually withdrawn. This will require us to monitor the recovery of the economy and the implications of this on accounting and disclosure requirements.

Changes to workplace practices look set to continue for some time and may become an entrenched way of working. The committee will continue to assess adequacy of the internal audit and compliance monitoring plans to ensure adequate oversight of the control environment.

An area growing in prominence both for clients, investors and regulators is climate change and other environmental, social and governance issues. Climate change in particular is expected to be a feature of Bank of England stress testing protocols in 2021 and the committee will assess the accounting and disclosure implications, if any, of this where necessary.

The government is consulting on proposals to restore trust in audit and corporate governance and the package of measures includes additional requirements for audit committees and mechanisms to increase competition through a managed shared audit regime. The committee will take heed of the outcomes of this regulatory consultation and any changes in regulation or guidance as they evolve and, in discussion with the Investec plc Audit Committee will determine the appropriate course of action in terms of the appointment of the auditor.

Lesley Watkins
Chair
22 June 2021

IBP AUDIT COMMITTEE REPORT
CONTINUED

Highlights of the significant matters addressed by the committee relating to the financial year ended 31 March 2021, and in evaluating the annual report and financial statements and internal control framework are described on the following pages.

2020

April, May, June

- Considered a number of issues including reviewing the going concern assessment and viability statement for the financial year ended 31 March 2020 and checking that the annual financial report for that year was fair, balanced and reasonable.

July

- Received a report on IBP's quarterly financial performance to June 2020 including an update on management's progress on addressing the themes and issues identified in the external auditor's management letter for FY2020 – chiefly IT controls, IFRS 9 credit modelling improvements, and enhancements to management's framework for balance sheet valuations
- Assessed the skills and resourcing of the Internal Audit function with reference to a skills mapping matrix covering all in-scope business functions
- Received a report from the external auditor on progress on the external audit plan of IBP subsidiaries, including a representation on auditor independence, together with an update on observations raised regarding the control environment in the auditor Management Letter
- Considered a report on the outcome of an independent External Quality Assessment of the Internal Audit function carried out by Grant Thornton as assessor
- Received a report on management's progress in carrying out a comprehensive review of tax-related policies and procedures applicable to Investec Australia.

September

- Received a report from Internal Audit on the progress of and issues identified by the internal audit plan and approved changes to the plan including an assessment of the controls in Structured Products business
- Received a report on the progress of the Internal Audit Continuous Improvement Plan to enhance various aspects of the IA framework, including a report on the implementation of data analytics to enhance the scrutiny of IA data
- Received a presentation from the external auditor on the proposed audit plan for FY2021 including new and emerging risks/audit themes relating to COVID-19 and the work from home operating mode.

November

- Received a report on half-year performance and an update on key accounting judgements including management's proposals for a COVID-19 ECL overlay adjustment to credit models taking into consideration regulatory guidance and revised macro-economic assumptions, an update on the valuation of risk management instruments in the Structured Products business, the accounting treatment for the divestment of part of Investec in India, and provisions recommended in relation to One Investec strategic restructuring
- Considered the efficacy of the IBP Whistleblowing framework and reported on this to the IBP board.

IBP AUDIT COMMITTEE REPORT
CONTINUED

2021

February

- Reviewed the outcome of the annual assessment of the Internal Audit function, and approved the Internal Audit Quality Assurance Framework, and reviewed a report of progress against the Internal Audit Continuous Improvement Plan, and approved changes to the scope of the Internal Audit Plan to reflect changes in organisational scope and operating model
- Considered the appropriateness of the resourcing and succession plan for the Compliance function
- Received an update on management's progress on addressing the themes and issues identified in the external auditor's Management Letter with particular reference to additional observations raised at the half year relating to the Structured Products business.

March

- Received a report from Finance outlining management's proposed approach to key accounting judgements, notably valuation of unlisted balance sheet investments, the approach to ECL quantification for credit impaired assets in the context of COVID-19, fair valuation of balance sheet items, notably in the aviation lending portfolio, property lending, and restructuring provisions relating to the One Investec strategic change and the exit of Investec in Australia
- Considered management's proposals for amendments to segmental reporting
- Received a report from Internal Audit on the progress of the Internal Audit Plan and approved changes to the plan by reviewing identified additional areas in the Structured Products and Specialist Cash Products businesses and a number of adjustments to the plan to reflect changes in organisational scope and operating model.

April

- Jointly with BRCC received a report on the ECL methodology and approach, the proposed IFRS 9 macro-economic scenarios assumed, and the weightings applied, the model limitations and changes and the proposed COVID-19 overlay.

May

- Received reports on the going concern and viability assessments, key year-end judgemental areas including ECLs, Fair Value loans, valuation of investments, Structured Products, an update on the disposal of the Australian business, reclassification of balance sheet items and segmental reporting
- Received a report from Internal Audit on the effectiveness of IBP's governance, risk and control framework and the outcome of the FY21 Internal Audit Plan
- Received a report from the external auditor on the progress of the year-end audit, the key audit matters, other areas of audit focus, control observations and auditor independence
- Received a report from the IBP Risk and Controls Forum providing an update from IBP's assurance and business functions on financial and non-financial risks reported to the IBP BRCC
- Received a report from Compliance on regulatory compliance issues and an update on the FY21 Compliance Monitoring Plan, including subsidiary oversight
- Reviewed the going concern assessment and the assumptions and projections underpinning the viability statement
- Received an update on tax and legal matters and the level of any provisions.

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters
Significant matters, are those matters in the view of the IBP Audit Committee that:

- Required significant focus from the committee
- Were considered to be significant or material in nature requiring exercise of judgement
- In relation to the 2021 annual report and financial statements were otherwise considered to be subjective from an accounting or auditing perspective.

Significant matters relating to the 2021 financial statements	What we did
Expected credit loss (ECL) assessment The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impacts in the geographies in which the business operates have resulted in additional key judgements and assumptions being made during the current year.	• Participated in a dedicated combined audit committee and BRCC meeting to review the appropriateness of the forward-looking macro-economic scenarios and assumptions used in credit models and the impact of these on forecast ECL, including evaluating the appropriateness of management's proposed ECL overlay to capture the uncertainty of the speed of economic recovery and the impact of withdrawal of government support schemes in relation to any recovery in various corporate and real estate portfolios • Challenged the level of ECL and the assumptions used to calculate the ECL provisions held • Assessed ECL experienced against forecast, and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors highly impacted by COVID-19, the legacy portfolio and exposures which were specifically affected by the negative macro-economic environment • Considered management’s peer review, and the auditor’s benchmarking assessment, of ECLs, the COVID-19 overlay, and stage 1 and 2 credit impairment coverage ratios compared to other UK banks which found that that the bank’s coverage ratios were within the benchmarking range • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement disclosure For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental.	• Received reports on the material investments across the group including an analysis of the key judgements and assumptions applied and approved the valuation adjustments proposed by management for the year ended 31 March 2021 • Challenged and debated significant subjective exposures and assumptions including: – the valuation principles applied with the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles – fair value of exposures in industries highly affected by COVID-19, particularly the aviation portfolio – the appropriateness of the IFRS 13 disclosures on fair value
Valuation of structured products These products involve a degree of subjectivity surrounding the inputs to their valuations.	• Received reports on and considered the valuation of structured products • Evaluated the appropriateness of the disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied • Received confirmation from internal and external audit on the appropriateness of the control measures relating to structured products • Received regular feedback from management on the active management of the underlying risk of the portfolio

IBP AUDIT COMMITTEE REPORT
CONTINUED

Significant matters relating to the 2021 financial statements (continued)	What we did
Uncertain tax and other legal matters Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions	• Received regular updates from tax, finance and legal on uncertain tax and legal matters to enable it to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment • Concluded on the appropriateness of the IAS37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment
External Audit The performance and the work of the bank's external auditors, Ernst & Young (EY)	• Met with key members of the EY audit team to discuss and then approve the 2020/2021 audit plan and agree key areas of focus • Assessed regular reports from EY on the progress of the 2020/2021 audit and any material accounting and control issues identified • Discussed EY's feedback on the bank's critical accounting estimates and judgements • Discussed EY's report on certain control areas and the control environment ahead of the 2021 financial year-end • Assessed the independence and objectivity of the external auditors
Accounting for strategic activity and restructuring	• Received reports on the nature and timing of the activity and considered the accounting treatment, the assessment of value and the quantum of restructuring expense
Reporting changes	• Considered the changes to the way in which the business is run and the appropriateness of the change in segmental reporting • Reviewed the rationale for the change in accounting treatment for a group of gilt and total return swap transactions that necessitated a restatement of the prior year figures
Fair, balanced and understandable reporting the bank is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy	• Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Concluded that the processes underlying the preparation of the annual report and financial statements for the year ended 31 March 2021 were appropriate in ensuring that those statements were fair, balanced and understandable • Recommended to the board that the 2021 annual report and financial statements were fair, balanced and understandable

IBP AUDIT COMMITTEE REPORT
CONTINUED

Other significant matters	What we did
Internal controls & the business control environment The effectiveness of the overall control environment and the control environment of individual business units and functions, and the progress of any remediation plans for management to address items raised by the internal and external audit frameworks or compliance monitoring plan	• Received regular reports from the IBP Risk and Controls Forum and the heads of compliance and internal audit. Based on this reporting, evaluated the impact of evolving risk, including operational risk, on the internal control environment • Evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • Evaluated reports on the internal control environment from the internal and external auditors • Assessed reports on individual businesses and functions on their control environment, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management, and scrutinised action plans following internal audit findings • Requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation
Internal audit The performance of internal audit and delivery of the Internal Audit Plan, including scope of work performed, the level of resources, and the methodology and coverage of the Internal Audit Plan The results of the external quality review of internal audit	• Agreed the internal audit plan taking into account the risk assessment, methodology and resourcing • Received regular reports from internal audit of all significant issues identified by them • Monitored the delivery of the agreed plan • Tracked the levels of high and moderate risk findings and monitored the related remediation plans • Met with the head of internal audit without management being present to discuss any issues arising • Received an opinion from internal audit on the effectiveness of the internal controls and the risk management framework as part of the year-end sign off process • Considered the results of the external quality review and the planned actions arising therefrom and tracked the implementation of them
Whistleblowing The adequacy of the bank's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases	• Received and considered reports from management on the bank's whistleblowing arrangements • Reviewed the reports to ensure that there were arrangements in place which colleagues could use in confidence to report concerns about inappropriate and unacceptable practices, and that there was proportionate and independent investigation of such matters or appropriate follow-up • Considered the independence and effectiveness of the bank's policies and procedures on whistleblowing

IBP AUDIT COMMITTEE REPORT
CONTINUED

How the Audit Committee works
The IBP Audit Committee's principal responsibilities are to:

- Monitor the integrity of the bank's financial reporting and scrutinise and satisfy itself, having regard to any issues raised by the external auditor, as to the appropriateness of management's accounting policies and practices, and that any significant financial judgements, assumptions or estimates made and the disclosures recommended by management are appropriate, and assess whether overall the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy
- Review the effectiveness of the bank's internal controls, including internal financial controls
- Scrutinise the activities and the performance of the internal and external auditors (including monitoring their independence and objectivity)
- Oversee the relationship with the bank's external auditor
- Review and monitor the effectiveness of the bank's whistleblowing policies and procedures.

Composition, meeting attendance, and interaction with Investec group
All members of the committee are independent non-executive directors in accordance with the UK Corporate Governance Code 2018. The committee includes members who have recent and relevant financial experience and as a whole have competence relevant to the sectors in which the group operates.

The CEO of the bank attends meetings on a regular basis but is not a member. Other bank directors may also attend by invitation. The head of risk, head of internal audit, head of compliance, head of Finance, the external auditor, group company secretaries, and head of tax also attend meetings on a regular basis.

The committee meets alone with the external auditor and, separately, with the head of internal audit. Committee members also meet periodically with management and the heads of internal audit, compliance, operational and IT risk, and finance as well as the lead external audit partner and senior management in order to keep knowledge up to date, and to keep abreast of commercial developments and challenges facing the business.

The chair of the committee is also a member of the IBP BRCC and, similarly, the chair of IBP BRCC, Paul Seward, is a member of this committee. This reciprocity of membership helps to ensure interaction between these two committees and a coordinated consideration of the bank's risks and internal controls where they overlap in relation to both financial risks and non-financial risks, which reflects the holistic oversight of risk at board level.

The committee reports formally to the IBP board. The chair of the DLC audit committees, Zarina Bassa, is a member of this committee which reflects the dual-listed structure of the Investec group in which IBP is the principal banking subsidiary in the UK and the parent company of other material overseas subsidiaries. This representation of the Investec group audit committees ensures that key audit matters for IBP and its subsidiaries are visible at the Investec group level, and likewise key audit matters and matters of mutual interest for the Investec group and IBP are communicated and addressed, where applicable, in IBP and its subsidiaries. As an example, the IBP Audit Committee worked together with the Investec group audit committees to consider the external quality review of internal audit and will address the outcome of the consultation on restoring trust in audit and corporate governance and how this is implemented in terms of the Investec group's and IBP's governance frameworks in the wider context of auditor rotation and appointment for IBP and the Investec group.

External audit
Ernst & Young (EY) were appointed as the bank's auditor in 1996. It is anticipated that a competitive tender process will be carried out for rotation no later than 2024. Further information regarding the tender of the Investec group and the bank's external auditors may be found in the Investec group's 2021 integrated annual report along with the Investec group's information on the effectiveness, objectivity and independence of EY as auditor of the wider Investec group.

The committee continuously assesses the effectiveness, objectivity and independence of the external auditors at formal committee meetings, during private meetings with EY and through discussions with key executive stakeholders. The committee considers the relationship with the auditor to be working well and remains satisfied with their effectiveness. The FRC's Revised Ethical Standards on the independence of auditors came into force on 15 March 2020 and are applicable to the current financial period. The Investec group has adopted a revised policy on the engagement of the external auditors to provide non-audit services which complies with the new standard, where applicable, and includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committee. The committee monitors whether the level of non-audit fees could impact the independence of the auditors having regard to the nature of the services rendered and the fees paid as a proportion of the overall audit fee. The committee is satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of EY.

Accordingly, having considered the effectiveness, independence and objectivity of the auditor, the committee recommends that EY continue as auditor for the following financial year.

Further details in regards to the audit fees paid to the external auditors for the financial year ended 31 March 2021 may be found in the financial statements on page 204 and details of non-audit services provided to the Investec group may be found in Investec group's 2021 integrated annual report.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT

Paul Seward
Chair of IBP BRCC

Key achievements in 2020/21
- Focused on the impact of COVID-19 on the bank, in particular vulnerable sectors, and the mitigating actions and controls put in place
- Considered the potential risks that could be faced as a result of Brexit and ensuring that strong controls were established
- Improvement in reporting in particular financial risks arising from climate change and other risks arising from Environmental, Social and Governance (ESG) issues, IT controls and cyber security, and compliance risk
- Regularly monitored the Structured Products business, management of the risk and actions taken to de-risk the book

Areas of focus in 2021/22
- Monitor the continuing impact of COVID-19 and any risks arising from changes to the business model as a result
- Monitor the continued impact of Brexit and management's actions to mitigate the impact thereof
- Monitor the risks in the Structured Products book, including the residual risks as the business is run-off
- Further enhancement of the management of the financial risks arising from climate change and other risks arising from ESG issues, including the review of stress test scenarios
- Monitor regulatory developments
- Continue to enhance non-financial risk management and reporting

Members	Member since	Attended	Eligible to attend[1]
Paul Seward (Chair)	1 Apr 2019	13	13
David Friedland	18 Jan 2019	13	13
David Germain[3]	05 Nov 2020	4	5
Moni Mannings[2]	18 Jan 2019	4	4
Brian Stevenson	08 Mar 2019	13	13
Lesley Watkins	18 Jan 2019	13	13

1 Includes two combined audit and BRCC meetings held on 14 May 2020 and 4 June 2020.
2. Moni Mannings stepped down as a member of the IBP BRCC in September 2020 to become a member of the DLC Social and Ethics Committee
3. David Germain joined as a member of the IBP BRCC in November 2020.
4. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the committee.

Introduction

I am pleased to present the report on how the IBP BRCC (the committee) has discharged its responsibilities throughout the financial year ended 31 March 2021.

The last time I wrote to you, the effects of COVID-19 had only just started to be felt, and the restrictions on the economy, businesses and people's lives were not expected to last for such a prolonged period of time. The pandemic has truly tested the dynamism of the committee and management as the focus swiftly moved to understanding and mitigating risks presented to the bank by COVID-19.

Throughout the financial year, the committee has continued to strengthen the independent oversight of the bank's risk management framework, particularly in relation to improved non-financial risk reporting. The committee also considered the external risks arising from the macro-economic challenges and regulatory changes. The reporting of both current and future external risks was considered with any potential impact on the bank.

The main objectives of the committee are to have oversight of the risk management framework of the bank and to assist the board in its responsibility to ensure that the bank maintains effective systems and processes for the management and control of risk exposures.

The major areas for the committee has been the monitoring of risks, in particular, liquidity, market risk, credit quality and IT risks as the COVID-19 pandemic continued to impact clients, employees, the bank and the global and UK economy. The liquidity and capital for the bank was closely monitored and had been managed conservatively to limit the impact of COVID-19, with the liquidity and capital metrics far exceeding regulatory and internal minimums. Regular stress testing was conducted given market uncertainty and the assumptions were challenged in order to gain assurance that the bank could continue to meet regulatory requirements and successfully navigate the risks arising due to COVID-19 without negatively impacting clients. The committee spent its time reviewing client impact with the reporting of vulnerable sectors, particularly aviation finance and the leisure and tourism industries. The committee had extensively reviewed benchmarking exercises undertaken by management to seek comfort in terms of ECLs, the COVID-19 ECL overlay, credit loss ratio and coverage ratios for assets. The committee were comfortable that whilst it was not always possible to clearly translate the appropriateness of the comparisons given the differences in the underlying portfolios and one-off losses, the bank did largely remain within the ranges seen across the other UK banks. The operational resilience of the bank has remained an area of focus particularly the impact on clients and as employees predominantly continued to work from home. This presented various risks in terms of employee wellbeing, the organisational changes

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

and the implementation of key regulatory projects such as the discontinuation of LIBOR. Following the improvements made in the non-financial reporting, the committee critically reviewed the oversight of financial crime through the inclusion of key performance indicators and challenged the progress made on the implementation of the transaction monitoring system. IT and Cyber Risk reporting had also improved significantly, with oversight in terms of key projects and areas requiring further attention.

The unprecedented market dislocation and cancellation of dividends as a result of COVID-19 which was initially experienced at the end of the previous financial year had continued to impact the complex nature of risks relating to the Structured Products desk. The committee closely monitored the management of the risk and the actions being taken to de-risk the book, which are detailed throughout the report.

The committee considered the implications of Brexit for the bank, in particular the effect that Brexit would have on the bank and its liquidity. Stress testing was also conducted to understand the implications for the bank.

As the committee had been established in 2019, it was still bedding down processes, identifying improvements and ensuring the right level of oversight and challenge. Prior to this, the bank mandated the DLC BRCC as its risk committee. The committee continued to strengthen the level of challenge, particularly in terms of the key risk documents including the risk appetite statements (RAS), the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP), the contingency funding plan (CFP) and recovery and resolution plan (RRP).

Role of the committee
The role of the committee is to review, on behalf of the board, the range of risks facing the business. The committee performs this function by considering the risk reports presented and questions whether existing actions taken by management are appropriate.

The committee is an essential part of the bank's governance framework to which the board has delegated the overseeing of the bank's risk framework to ensure that the framework is appropriate to the size, scale and nature of the bank's activities for the purposes of effectively managing the material risks to which the bank is exposed. The committee is the most senior risk management committee of the bank.

The committee has to ensure that all risks are identified and properly mitigated and managed. The committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the bank's risk exposures.

The committee reports to the board on how it discharges its responsibilities and makes appropriate recommendations to the board.

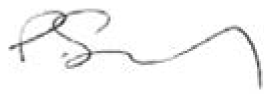
Composition
The committee is composed solely of independent non-executive directors, with membership designed to provide the breadth of risk expertise and commercial acumen it needs to fulfil its responsibilities. The chair of the DLC BRCC is a member of the committee to ensure the interconnection between the bank and its parent.

Looking Ahead
The committee will continue to consider the impact of COVID-19 focusing on managing recovery and supporting clients, particularly in vulnerable sectors, as government support schemes come to an end and the economy reopens. The committee will review the business model as it adapts following COVID-19 to ensure that risks are adequately addressed with appropriate attention particularly as it continues its alignment to the One Investec strategy.

The committee recognises that there is further work to develop the bank's ESG approach and further embed ESG within business as usual processes. Attention will focus on the Bank of England's climate risk stress test, when made available and developing quantitative key performance indicators for ESG and climate risk.

The committee will also continue to monitor the risks emanating from the Structured Products business whilst the book is being managed down and residual risks are reduced. The committee will continue to build on the work it has done to improve reporting particularly with respect to operational risk, compliance risk, IT and cyber risk. The committee had challenged management to extend its consideration of risk to include external and future risks and further refinement and challenge will continue for the next financial year.

Finally, the impact of Brexit and resultant regulatory changes will be an area of focus going forward.



Paul Seward
Chair, IBP BRCC
22 June 2021

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

What we did in 2020/21
The standard and regular agenda items of the committee include comprehensive reports pertaining to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk. As part of the regular agenda items, the impact of COVID-19 and additional detailed focus on the risks emanating from the Structured Products desk and the management of the risk was also included.

In addition to the matters described above, the committee also addressed the following matters during the financial year ended 31 March 2021 which are described on the following pages.

2020

May

- Received a detailed presentation on the risk areas impacted by COVID-19, in particular, the bank's approach to liquidity management
- An update was received from the bank's subsidiary, Investec Bank (Channel Islands) Limited on the client review project in order to comply with the new version of the Guernsey Financial Services Commission (GFSC) Financial Crime Handbook
- Reviewed the committee report within the 2020 IBP Integrated Annual Report
- Met in conjunction with the IBP Audit Committee to review the bank's viability statement for the financial year ended 31 March 2020.

July

- Challenged the proposed stress scenarios to be used in the 2020 ICAAP
- Considered the appropriateness of the Operational Risk scenarios to be used in the 2020 ICAAP
- Reviewed the impact on the bank should the Bank of England (BOE) decide to utilise a negative interest rate and the bank's operational readiness of its systems
- Received an update in respect of the bank's operational risk and mitigation as a result of COVID-19.

September

- Reviewed and recommended the approval of the by the board of the Contingency Funding Plan
- Reviewed the additional stress scenario as requested by the committee in July to understand the impact of an extremely severe scenario
- Reviewed and recommended the approval of the traded market risk appetite by the board
- Reviewed the ECL expectations for 30 September 2020 and received an update on the COVID-19 relief measures by portfolio.

November

- Held additional meetings to thoroughly review and challenge the ILAAP, ICAAP and RRP. The documents were then recommended for approval by the board
- Received an in-depth presentation on the LIBOR discontinuance project, its progress to date and the key challenges and risks faced
- An update on the progress to enhance operational resilience and introduce a new framework was provided
- A detailed overview of the ECL's, the challenges faced in terms of the credit models and the extreme macro-economic changes and the proposed overlay was provided.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

2021

January

- An additional meeting was scheduled to critically review the bank's proposed risk appetite for 2021.

February

- Recommended the annual review of risk appetite and policies to the board for approval
- Considered and challenged the 2021 stress test scenarios proposed to be implemented in the 2021 ICAAP
- Formal review of the Structured Products desk, progress in de-risking the book and the run-off profile was conducted.

March

- Recommended the annual review of the IBP Liquidity Risk Appetite Framework, IBP Liquidity Stress Testing and IBP and Investec plc Non-Traded Market Risk Appetite Framework to the board for approval
- Reviewed and approved market risk policies
- Reviewed the Money Laundering Reporting Officer (MLRO) report
- Reviewed and recommended capital policies for approval by the board
- Reviewed and recommended the approval of the tax strategy and tax risk policy for approval by the board.

May

- Received a presentation following management's deep dive into the bank's Stage 3 and fair value assets and discussed the top non-performing exposures as well as the Aviation and Marine portfolios performance
- An overview of the Foreign Exchange (FX) and Interest Rate (IR) Trading Desk was provided to understand whether there were any risks or issues which needed to be addressed.

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

COMMITTEE ACTIVITIES

Area of focus	Conclusions and Actions
COVID-19 Management of the risk in order to support the bank's stakeholders throughout the COVID-19 pandemic	• reviewed and challenged management actions to address the risks ensuring that there was surplus liquidity and capital buffers in place to manage the possible negative impact • as a result of the bank being approved as an accredited lender under the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS), there was regular monitoring of the exposures and a review of the operational, reputational and conduct challenges in implementing the government schemes, ensuring customers were given the appropriate support, and that governance and processes were effective • closely assessed the impact on the bank's ECLs, with a review of the provision, in conjunction with the Audit Committee, to ensure that it was appropriate, taking into account the economic outlook and scenarios. Benchmarking by both management and the external auditors had been conducted to provide assurance that the level of ECL and credit loss ratio remained within the range of other UK banks • received assurance, following management's in-depth review of the credit portfolio, that the quality of the book had not materially worsened. The areas of specific focus were in relation to the vulnerable sectors, with particular focus on the aviation portfolio as the industry had been significantly impacted as a result of the prolonged restrictions on travel due to COVID-19. The committee were kept abreast of any changes to government support for airline exposures and an in-depth presentation of the risks faced by the business and the bank's exposure to aviation was provided in a directors' development session • any potential or actual fraud losses were examined by the committee as fraud risk remained heightened throughout the industry as a result of COVID-19 • focused on operational resilience as the bank's operations were largely executed with employees working from home increasing the reliance on IT and processes. Assurance was provided that the required controls and oversight were in place and effective • enhanced oversight of conduct and compliance risk to ensure there were no current or emerging risks that could negatively impact customers thereby needing attention • focused on operational resilience as the group's operations were largely executed with employees working from home increasing in reliance on IT and processes. Assurance was provided that the required controls and oversight were in place and effective • enhanced oversight of conduct and compliance risk to ensure there were no current or emerging risks that could negatively impact customers thereby needing attention

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Area of focus	Conclusions and Actions
Structured Products Close monitoring of the Structured Products book following the significant impact that the unprecedented market dislocation and cancellation of dividends had caused and the associated risks.	• received and challenged the in-depth reporting on the risk management of the exposure to capital-at-risk products • reviewed the implied volatility, dividend and correlation risks pertaining to the book which had significantly reduced since September 2020 • reviewed the causes of the losses and the stress scenarios used to manage the risk. As the stress testing in place had been designed factoring in all known market crashes to date, the impact of COVID-19 on dividend distributions had not previously been included. As a result, further stress testing was conducted as well as the prolonged impact of stress scenarios and challenged by the committee • focused on management's progress in de-risking the book which had included, but was not limited to, improved hedging strategies with a macro hedge in place to provide downside protection for the FTSE, Eurostoxx and S&P at certain levels, the improved modelling of risk sensitivities and where possible, the unwinding of over-the-counter (OTC) interbank trades • challenged forecasts of the book's performance and run-off profile
Brexit Consideration of the potential impact and risks arising as a result of the UK leaving the EU.	• reviewed the impact to the business including restrictions on the bank's operations and servicing of clients within the EU and the mitigating actions • gained assurance regarding the operational risk and compliance risk with the establishment and roll-out of a framework to manage the risks • challenged the assumed impact of Brexit, and in particular a no-foreign trade agreement (FTA) Brexit which had been input into the economic scenarios • post Brexit, the committee were kept abreast of the regulatory changes resulting from Brexit including the embedding of the Capital Requirements Directive IV and Capital Requirements Regulation into UK

IBP BOARD RISK AND CAPITAL MANAGEMENT REPORT
CONTINUED

Area of focus	Conclusions and Actions
Risk management of the bank Consideration of the key risk documents and processes to ensure that they were appropriate and effective to manage the material risks faced by the bank	• reviewed and challenged the key risk documents, including the ILAAP, ICAAP and CFP, ahead of final approval, ensuring that there had been changes implemented in light of the experiences faced as a result of COVID-19 • reviewed the risk appetite which had numerous improvements based on challenge previously received, with particular progress made in relation to the identification and monitoring of the financial risks arising from climate change and other ESG issues. Considered the appropriateness of the enhanced granularity in terms of the non-financial risk appetite, in particular to the IT and Information Security risks and the categorisation of important business services which drive the appetite for business disruption • enhanced the review and focus on emerging risks and the mitigation thereof which included both internal and external risks • received updates on any regulatory changes and projects established to address changes, in particular, the discontinuation of LIBOR, the implementation of the fundamental review of the trading book (FRTB) regulations as well as the changes to strengthen the bank's operational resilience • reviewed the improved non-financial risk reporting, predominantly relating to IT and cyber risk, financial crime, operational risk including projects and compliance. The committee challenged its content and management actions taken to remediate any issues. Feedback was given for further improvements • increased oversight of overseas subsidiaries through enhanced reporting. There had been close monitoring of the risks such as the enhanced sanctions impacting the Hong Kong business, the impact of Brexit on the Irish business and the closure of the Australian business

DIRECTORS' REPORT

The directors present their directors' report and financial statements for the year ended 31 March 2021.

The company has chosen, in accordance with section 414C(11) of the UK Companies Act, to include certain matters in its strategic report which is incorporated into this report by reference as follows:

- An indication of likely future developments in the business of the Company and its subsidiaries, see page 10
- Our risk management objectives and policies in relation to the use of financial instruments, see page 48
- Since 31 March 2021 there have been no material events to report.
- The Investec Bank Australia branch was de-registered on 11 June 2021
- Approach to diversity which includes employment of disabled persons, page 25, and the Investec Group Sustainability Report
- Stakeholder engagement (including employees and others), page 19
- Details of charitable activities including any donations, page 21
- Statement of corporate governance arrangements, page 114

Results and dividends
The results for the year are shown on page 179. Movements in reserves are shown in the reconciliation of equity on pages 184 to 187 of the financial statements. An interim dividend of £11 million was declared on 17 November 2020 and paid on 27 November 2020. On 11 May 2021 the board declared that an interim dividend for period ended 31 March 2021, of £24 million be paid on 26 May 2021.

Directors
The names of the persons who were directors during the financial year are set out in the table below. Biographical details of directors appointed as at the date of this report are set out on pages 111 to 112.

	Appointed	Stepped down
Henrietta Baldock	10 February 2021	
Zarina Bassa		
David Germain	15 September 2020	
David Friedland		15 September 2020
Ruth Leas		
Moni Mannings		
Kevin McKenna		
Paul Seward		
Brian Stevenson		
Fani Titi		
Lesley Watkins		
Chris Meyer		23 July 2020
Alistair Stuart		23 July 2020
Ryan Tholet		23 July 2020

Independent auditor and audit information
Ernst & Young LLP have indicated their willingness to continue in office as auditors. A resolution proposing their reappointment as auditors will be submitted to the annual general meeting.

Each person who is a director at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given pursuant to section 418 the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Going Concern statement
In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the bank's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance that are set out on page 48. The directors have performed a robust assessment of the bank's financial forecasts across a range of scenarios over a 12 months period from the date the financial statements are authorised for issue. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the bank's projected performance, capital, liquidity and funding positions, including the impact of scheduled repayment of borrowings and other liabilities. Based on these, the directors confirm that they have a reasonable expectation that the bank has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Viability statement
In accordance with the UK Corporate Governance Code, which was adopted by IBP as the corporate governance code of the bank, in addition to providing a going concern statement, the board is required to make a statement with respect to IBP's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of IBP, the board's assessment of IBP's prospects and the principal risks it faces. Following consideration, the IBP Audit Committee recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing IBP and these are highlighted on page 48, with further detail provided in the Investec plc (IBP's parent company) annual report.

Through its various sub-committees, notably the IBP Audit Committee, the IBP BRCC and the IBP Capital Committee, the board regularly carries out a robust assessment of these risks and their potential impact on the performance, liquidity, solvency and operational resilience of IBP. The activities of these board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with IBP's strategic objectives and the prevailing market environment, the board approved the overall mandated risk appetite framework for IBP. The risk appetite framework sets broad parameters relating to the board's expectations around performance, business stability and risk management.

DIRECTORS' REPORT
CONTINUED

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage IBP's risk appetite, there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running the business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chair.

The board believes that the risk management systems and processes, supported by the conclusions of the Internal Audit function, are adequate to support IBP's strategy and allow IBP to operate within its risk appetite framework.

A review of IBP's performance/measurement against its risk appetite framework is provided at each IBP BRCC meeting and at the main board meetings.

In terms of the FCA and PRA requirements, IBP is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, IBP is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm-specific, and combined scenarios (combination of the market-wide and firm-specific stresses). IBP manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the IBP board-approved risk appetite. In addition to these stress scenarios, IBP's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each legal banking entity within IBP is required to be fully self-funded. IBP as at 31 March 2021 had £6.9 billion in cash and near cash assets, representing 42.2% of customer deposits.

IBP develops annual capital plans (refreshed after six months, if required) that look forward over a three-year period. These plans are designed to assess the capital adequacy of IBP and its subsidiaries under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that IBP continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). IBP targets a minimum capital adequacy ratio of 14% to 17%, a Tier 1 ratio greater than 11%, a Common Equity Tier 1 ratio in excess of 10% and a leverage ratio in excess of 6%.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities.

- Base case: The base case narrative assumes that the UK's third national lockdown depresses first quarter 2021 growth, but as restrictions ease and a greater proportion of the population become inoculated, economic activity starts to accelerate from the second quarter and beyond. Globally, the scenario assumes a robust recovery by the end of the year, compensating for the impact of the third wave of COVID-19 infections experienced in many nations limiting economic activity in the first quarter. In light of this, monetary policy is expected to remain accommodative across the major central banks
- L-shaped recovery: The L-shaped scenario sees the UK experience a much more restrained economic recovery than in the base case scenario, following the contraction in economic activity in the first quarter due to the third lockdown. Beyond this weak initial rebound, the narrative envisions that there will be some permanent economic scarring from the COVID-19 pandemic, with weak productivity growth restricting economic activity and employment opportunities across the forecast horizon. Global prospects paint a similar picture, with subdued growth expected throughout the time period. Under such a situation, central banks ease policy further; domestically that sees the Bank of England (BoE) lower the Bank rate to -0.40%, whilst the Federal Reserve and European Central Bank (ECB) rely on asset purchases.
- Fiscal stress: The fiscal scenario builds on the L-shaped scenario with the narrative centred on the weaker than expected economic recovery prompting a deterioration in the public finances, causing concerns regarding debt sustainability. In this scenario, to reassure markets, the UK government tightens fiscal policy via spending cuts and tax rises, which ultimately leads to a crisis in business and consumer confidence. This limits investment and hiring opportunities, and triggers a recession midway through the scenario horizon. Globally, a number of Eurozone countries face similar situations, whereas the United States is less affected. Meanwhile, central banks such as the BoE and the ECB react to this scenario by cutting rates even further than in the L-shaped scenario: BoE Bank rate reaches a low of -0.90% and the ECB deposit rate -1.00%.

IBP's capital process also incorporates the BoE regulatory scenario. The BoE published its regulatory scenario in January 2021 and this scenario is implemented alongside the Investec-specific scenarios for IBP:

- BoE regulatory scenario (solvency stress): Under the BoE's solvency stress scenario, the UK experiences a 'W-shaped' recovery in which economic activity plummets by close to 10% in the second quarter of 2021, only to recover very strongly in subsequent quarters. In response to this, the scenario assumes that the UK bank rate dips into negative territory, reaching -0.10% in the third quarter of 2022. Internationally, a parallel story plays out, in which a strong economic rebound in the latter quarters of the year compensates for a sharp contraction in the first quarter.

The board has assessed IBP's viability in its 'base case' and stress scenarios. In assessing IBP's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause IBP to breach its capital and liquidity requirements. These scenarios are considered unlikely, given IBP's strong liquidity position and sound capital and leverage parameters.

DIRECTORS' REPORT
CONTINUED

IBP's parent company, Investec plc, is required to maintain a recovery plan and a resolution pack for the Investec plc consolidated group. The purpose of the recovery plan is to document how the board and senior management will ensure that the Investec plc group recovers from extreme financial stress to avoid liquidity and capital difficulties. The key focus in the recovery plan is the principal banking subsidiary, IBP, and the protection of its depositors and other clients.

IBP also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, recovery plan, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress and if applicable, stress scenarios are reviewed more regularly; for example, as is the case with the COVID-19 pandemic. In addition, senior management host an annual risk appetite process at which IBP's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes take place within each business division at least annually. These focus on, amongst other things: the business and competitive landscape, opportunities and challenges, and financial projections. A summary of these divisional budgets, is presented to the board during its strategic review process early in the year.

In assessing IBP's viability, the board has taken all of the above-mentioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that IBP will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of IBP's viability over the next three years to 31 March 2024.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of IBP's viability:

- Pages 4 to 42, which show a strategic and financial overview of the business
- Page 48, which provides details on the principal and emerging risks the group faces and information on the group's overall risk appetite
- Pages 44 to 46 and 58, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 60, 80, 81, 83, 85, 86, 87, 90 and 105 which highlight information on IBP's various stress testing processes
- Page 90, which focuses on the group's philosophy and approach to liquidity management
- Page 103, which provides detail on the recovery plan and resolution pack for IBP
- Pages 104 to 107, which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 22 June 2021. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond IBP's control that could cause IBP's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditor's report set out on pages 169 to 179, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006. Under company law the directors must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- In respect of the group financial statements, state whether IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether IFRSs in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT
CONTINUED

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

The strategic report, directors' report and the financial statements of the bank, were approved by the board of directors on 22 June 2021.

Signed on behalf of the board

Ruth Leas
Chief executive
22 June 2021

Brian Stevenson
Chairman
22 June 2021

04

Remuneration report

REMUNERATION REPORT

Moni Mannings
Chair of the IBP Remuneration Committee

Key achievements in FY 2021

- Considered and approved the proposed 2021 remuneration approach for the Chief Executive, senior management, Material Risk Takers (MRTs), control function employees and other employees
- Approved the variable remuneration spend and approach for the 2020/2021 financial year; this was materially impacted by the COVID-19 pandemic
- Reviewed the diversity implications of the remuneration philosophy, policy and structures, including the gender pay gap figures, and consideration of future ethnicity pay reporting
- Considered the interaction between culture and reward and the potential implications thereof
- Received a report for consideration from Internal Audit on the Annual Reward Review, including a review of remuneration governance and practices, focusing on compliance with the Remuneration Code and the promotion of sound and effective risk management
- Reviewed the non-standard remuneration structures within IBP
- Regularly considered external legislative and regulatory developments, and approved for implementation required changes arising from these
- Regularly considered the application of malus and/or clawback
- Reviewed key new hires and exits, including the remuneration outcomes for good and bad leavers
- Reviewed the remuneration arrangements for employees impacted by restructuring within the Bank during the year
- Reviewed and approved remuneration arrangements for those taking on new roles due to changes in the leadership structure in the bank

Areas of focus in FY 2022

- Review and approval of amendments to remuneration policies and structures that may be required from external legislative and regulatory changes, including CRD V
- Consider and approve the remuneration framework and objectives for the Chief Executive, in the context of the Group Executive Team framework
- Consider the belonging, inclusion and diversity implications of the remuneration philosophy, policy and frameworks including equal pay, the gender pay gap and the ethnicity pay gap
- Consider how our remuneration philosophy, policy and practices support and align with our ESG initiatives
- Review and consider how the overall remuneration philosophy and approach supports and aligns with the IBP and group strategy
- Consider the alignment of remuneration for all employees with the CEO and executive team
- Review and consider how the remuneration philosophy, policy and approach align with and support our culture
- Consider the risk implications of our remuneration policies and frameworks

Meetings held in 2020/21

Members	Member since	Eligible to attend	Attended
Moni Mannings (chair)	20 May 2019	7	7
Brian Stevenson*	20 May 2019	7	6
Philip Hourquebie**	20 May 2019	7	7
Lesley Watkins	20 May 2019	7	7

* Brian Stevenson was unable to attend due to another business commitment.
** Philip Hourquebie acts as the Investec group representative.

REMUNERATION REPORT
CONTINUED

2020

May, June (2 meetings)

- Considered and approved the proposed remuneration approach for the Chief Executive, senior management, Material Risk Takers, control function employees and other employees
- Approved the variable remuneration spend and approach for the year ending 31 March 2020; this was materially impacted by the onset of the COVID-19 pandemic
- Reviewed the application of malus and clawback
- Approved the annual remuneration report for Investec Bank plc
- Approved the reduction in fees for non-executive directors, in line with changes in the market arising from the COVID-19 pandemic
- Considered and approved an updated remuneration governance approach

July

- Considered the remuneration approach for the Chief Executive, in the context of the Group Executive Team framework, in respect of the financial year ending 31 March 2021
- Reviewed recent regulatory developments
- Received and considered a report for the IBP Malus and Clawback Committee
- Reviewed analysis of the non-standard remuneration packages for new hires and leavers

September

- Received a presentation on the methodology for determining the variable remuneration spend
- Received a presentation from Compliance on the interaction between the Senior Managers & Certification Regime and the Remuneration Code
- Reviewed and approved the methodology for identifying Material Risk Takers, and the proposed Material Risk Taker list for the 2021 financial year
- Reviewed and approved the annual Remuneration Policy Statement

November

- Reviewed the Role-Based Allowance policy and principles to ensure they are appropriate. It was determined that the policy, principles and figures are appropriate, and will be reviewed on a regular basis in future
- Reviewed and approved remuneration arrangements related to the joint venture between Investec India and the State Bank of India
- Received a report for consideration from Internal Audit on the annual review of Reward, including a review of remuneration governance and practices, focusing on compliance with the Remuneration Code and the promotion of sound and effective risk management

2021

February

- Reviewed the draft figures and analysis for the 2020 Gender Pay Gap report
- Reviewed the non-standard remuneration structures within the bank
- Received a report from the Investec Bank plc Reward Committee, including considerations relating to the potential application of malus and clawback
- Reviewed an analysis of the non-standard remuneration packages for new hires and leavers

March

- Reviewed and approved for publication the 2020 Gender Pay Gap report
- Reviewed the context and proposed approach and guidance for the annual reward review
- Reviewed and approved the final methodology for identifying Material Risk Takers, and the final list of Material Risk Takers for the 2020/2021 financial year
- Reviewed and approved the final Remuneration Policy Statement for the 2020/2021 financial year

REMUNERATION REPORT
CONTINUED

Introduction
It is my pleasure to present the remuneration report for the year ended 31 March 2021, which describes the approach to remuneration at the bank.

The IBP Remuneration Committee has responsibility for remuneration for the bank and ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the bank operates, including its obligations as an independent bank regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Whilst the IBP Remuneration Committee is responsible for remuneration within the bank, it reports key items up to both the IBP board and the DLC Remuneration Committee.

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

Role of the chair
The role of the chair of the IBP Remuneration Committee requires regular meetings with the executives of the bank, along with liaison with the chair of the DLC Remuneration Committee. The chair also has interactions with internal and external specialist advisors and with heads of reward, people & organisation, compliance and risk, in order to keep knowledge up to date, and to keep abreast of commercial, regulatory and legislative developments and challenges facing the business. These interactions are an essential part of the role of the chair of the IBP Remuneration Committee.

Composition
I served as chair of the IBP Remuneration Committee for the financial year. The other members of the committee for the year were Philip Hourquebie, Brian Stevenson and Lesley Watkins.

The IBP Remuneration Committee is composed of independent non-executive directors, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the IBP Remuneration Committee.

Philip Hourquebie, chair of the DLC Remuneration Committee, is a member of the IBP Remuneration Committee, enhancing the interconnection between the IBP Remuneration Committee and the DLC Remuneration Committee.

Committee responsibilities
The IBP Remuneration Committee is responsible for considering the remuneration arrangements of the executive directors, senior employees including Material Risk Takers, and that of the wider workforce of the bank. The remuneration of the IBP Chief Executive, Ruth Leas, who is a person discharging managerial responsibilities (PDMR) of the Investec group, is considered by the IBP Remuneration Committee, with a recommendation provided to the DLC Remuneration Committee.

The IBP Remuneration Committee receive reports from the IBP Reward Committee which has been mandated to oversee the reward framework for IBP employees, and act as a Malus and Clawback Committee to apply the bank's policy in this regard.

Investec Wealth & Investment (IW&I), a subsidiary of Investec Bank plc regulated by the FCA, maintains an independent governance structure, comprising an independent board and remuneration committee. The membership of the remuneration committee of our wealth business comprises independent non-executive directors. Matters relating to IW&I do not fall within the remit of the IBP Remuneration Committee.

The IW&I Remuneration Committee reports to the DLC Remuneration Committee. Any matters relevant to the bank are communicated to the bank, in part, through having the chair of the DLC Remuneration Committee, Philip Hourquebie, as a member of the IBP Remuneration Committee.

The IBP Remuneration Committee reviews and recommends the remuneration for the executive directors and senior employees of the bank to the DLC Remuneration Committee. The policy on remuneration packages for non-executive directors is agreed and determined by the Investec group board.

The past year in focus
The past year was a challenging year for the committee, requiring a strong focus on the response to the impact of the COVID-19 pandemic on business performance, our people and remuneration. This required the committee to make some extremely difficult decisions to balance the interests of various stakeholders in considering the approach to remuneration, and particularly variable remuneration payouts. The significant impact on our business results and our people arising from the COVID-19 pandemic has impacted two financial years. As we reported in last year's report, in line with the request from the PRA for banks to preserve cash and capital during this period, the bank did not pay bonuses to senior staff including Material Risk Takers for the year ended 31 March 2020.

As outlined in the Corporate Governance section, the board and the IBP Remuneration Committee have a strong focus on culture. It has been frequently documented, including by our regulators, that remuneration structures and practices can and do have a significant impact on the culture, within organisations. Therefore this potential effect, has a significant bearing on the approach and deliberations of the IBP Remuneration Committee when reviewing remuneration processes and practices within the bank, and has driven some of the changes implemented, including the executive remuneration framework outlined below.

REMUNERATION REPORT
CONTINUED

Another focus of the IBP Remuneration Committee was employee engagement. A designated non-executive director is appointed to support the directors' engagement with our people. It was previously agreed by the board that I would be the designated non-executive director for workforce engagement.

The engagement activities during the year have included culture dialogues, diversity and inclusion programmes, talent programmes, town halls, and question and answer sessions. Enhancements to these existing engagement activities were agreed, to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting has been established, with management and myself as the designated non-executive director in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently reports to the board on the engagement activities, with me highlighting the matters of interest from our people, to support the board's key decision making.

A quarterly workforce engagement synthesis meeting is also held with me, the designated non-executive director for workforce engagement for the board of Investec Group, Philip Hourquebie, and for IW&I, Cath Thorpe, to ensure that the matters of interest to our people are considered across the Investec group.

The board utilised the matters of interest to our people to inform its discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

The IBP Remuneration Committee also oversaw the details and publication of the bank's fourth annual gender pay gap report, and was happy to report a continued improvement, continuing the positive trend in our figures since 2014. However, the IBP Remuneration Committee is committed to ensuring further improvement in the future. In addition, the bank is a signatory to the Women in Finance Charter, and in doing so has committed to, among other items, linking the pay of senior executives to delivery against the set targets. Our target date is 31 March 2022.

The latter two months of the year saw the IBP Remuneration Committee being occupied with reviewing and agreeing the approach to variable remuneration for the financial year ending 31 March 2021. COVID-19 and the losses arising from Structured Products materially impacted our results again in the financial year ending 31 March 2021, as outlined in the Performance section below. The Committee has had to balance the interests of all of our key stakeholders, including our shareholders and our people, in considering the amount of variable remuneration to be awarded this year. Amongst other considerations, the sustainability of the UK business into the future has been an important factor. In order to retain and motivate key staff to achieve our strategy, we took the view that to an extent we would "shield" our people not directly involved in the losses arising from Structured Products. In order to deliver this, the IBP and DLC Remuneration Committees approved an additional variable remuneration spend to be granted in shares vesting over five years. A portion of any variable remuneration above a de minimis threshold has been delivered in deferred shares vesting equally over three to five years.

We are confident that the steps we have taken have allowed us to effectively reward those people who have performed strongly, retain our key people, and ensure strong alignment with the bank, group and our shareholders in the future.

Performance

The 2021 financial year was a tale of two halves. First half performance was characterised by difficult and volatile market and economic conditions attributable primarily to COVID-19. The second half showed strong earnings recovery, supported by our resilient client base, a rebound in economic activity and a greater sense of optimism spurred on by global vaccination campaigns. We carry this momentum into the 2022 financial year, focused on actively servicing our clients and delivering long-term value.

The Specialist Banking client franchises performed strongly, showing continued traction in our client acquisition strategy across the business, and reporting loan book growth of 3.9%. The investment in our Private Banking business is bearing fruit and performing ahead of expectations. Net interest income increased despite lower interest rates, and we saw strong equity capital markets activity and an improvement in investment income. Revenue was impacted by risk management and risk reduction costs of £93 million related to the structured products book.

Operating costs increased by 7.2% year on year, however, fixed costs decreased, driven by headcount reduction and lower discretionary spending. These savings were offset by an increase in variable remuneration reflecting improved business momentum and continued investment in technology. The group incurred approximately £26 million of one-off restructuring costs in the period.

Overall, Investec Bank plc reported an adjusted operating profit of £108.3 million for the year ended 31 March 2021 (2020: £173.6 million), impacted by elevated hedging costs related to the structured products book as well as higher operating costs.

Earnings attributable to shareholder increased to £63.8 million (2020: £57.8 million), primarily due to the non-repeat of prior year costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses.

REMUNERATION REPORT
CONTINUED

Outcomes for the year
Due to the strength of our underlying business, the bank has navigated an extremely challenging period very well. However, like most of our competitors, the effects of COVID-19 have been significant and as a result, our overall profitability is down relative to historic performance; this is still the case when stripping out the risk management and risk reduction costs incurred from Structured Products. However, we saw a strong rebound in activity levels in the second half of the financial year.

Whilst our profits are reduced this year, our people have delivered a strong performance, particularly in light of the extremely challenging conditions during the year. We considered the needs of all of our stakeholders, including our shareholders, when determining the remuneration spend for the year. We agreed the following principles to guide our approach:

- Protect our business (so we have a sustainable, viable business in the long term);
- Ensure we retain those individuals who are deemed key to the future of the business;
- Mitigate flight risk and potential impact to the franchise;
- Account for external factors, including the views of our shareholders and regulators; and
- Ensure we are sensitive to and supportive of the communities in which we operate.

Taking these principles as our guide, we approved some additional remuneration spend in addition to the standard calculation. This has been delivered in the form of deferred shares, which will vest equally after three, four and five years. We are confident this will allow us to retain our key people and ensure strong alignment with the bank and group over the medium term.

Looking ahead
While we expect external conditions to remain challenging for some time, we are optimistic about the strength of our underlying business, and the dedication of our people. The IBP Remuneration Committee will focus in the coming year on our remuneration practices, with particular attention being given to ensuring that our philosophy, policy and approach support and align with our culture, and our approach to belonging, inclusion and diversity.

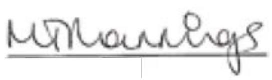
The IBP Remuneration Committee believes that the bank's approach to executive remuneration is designed to incentivise exceptional performance from its executives and employees, and ensure that all the bank's stakeholders, including shareholders and employees are rewarded appropriately for performance.

The bank is also focused on ensuring that its approach to reward is fair in all aspects, and that all stakeholders are taken into account when determining how executives and employees are rewarded.

The IBP Remuneration Committee considers that there is strong alignment between the bank's remuneration structure and the bank's stakeholders, especially with vesting periods of share awards granted to employees which generally vest over five years, and in some cases seven years, with additional post-vesting retention periods for MRTs.

Conclusion
The committee has had a challenging year, considering the impacts of the COVID-19 pandemic and the losses in the business arising from structured products.

We are confident that the steps we have taken and the support shown by the Investec group has allowed us to effectively reward our people who have performed strongly, retain our key people, and ensure strong alignment with the bank, group and our shareholders in the future.



Moni Mannings
Chair, IBP Remuneration Committee
22 June 2021

REMUNERATION REPORT
CONTINUED

Remuneration overview

Inside this section

Remuneration philosophy and approach for all employees

Our remuneration approach is designed to foster an exceptional performance culture that enables an entrepreneurial spirit as well as a strong sense of ownership. We use remuneration to help attract and retain culturally aligned, smart, innovative and talented people who adhere and subscribe to our culture, risk appetite, values and philosophies, and to recognise and drive out of the ordinary performance.

The bank's remuneration levers work to:

- Provide a sense of security, so people feel free to innovate, challenge and influence;
- Motivate people to deliver exceptional performance; and
- Give people a sense of ownership, so they feel invested in the organisation.

Our remuneration approach reflects our culture; it is an honest and challenging process that is tailored to individual roles and acknowledges personal and team contributions. We reward people for the contribution they make through payment of a fixed package, variable performance bonus, and ownership through a share incentive scheme. We strive to provide a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, our communities and the group.

When determining levels of variable remuneration, the bank considers the overall level of performance, culture and risk events in the year. The proportion of variable to fixed remuneration is carefully monitored to ensure compliance with regulatory requirements. All incentives are subject to the bank's performance adjustment policy. This provides the bank with the ability to reduce, revoke or recover variable remuneration in respect of a risk, control or conduct issue, event or behaviour.

Given IBP board executive directors and additional senior bank executive incentives are deferred for up to seven years, the bank does not believe that the incentive structures inadvertently motivate irresponsible or short-term behaviour.

REMUNERATION REPORT
CONTINUED

OVERVIEW OF REMUNERATION FOR ALL EMPLOYEES

Element	Operation – Bank
Salary	• Paid monthly in cash
Role-Based Allowance	• Role-Based Allowances may be awarded to certain Material Risk Takers to reflect their roles and ensure an appropriate balance between fixed and variable remuneration – Paid monthly in cash – These are fixed, according to the nature of each role, and can only be amended in certain limited circumstances (e.g. a material increase in organisational responsibilities)
Benefits and pension/provident	• Benefits are provided, with the details depending on local market practice – Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance, and cash allowances – Pension and benefit levels differ globally to be competitive in different markets, and there is no single pension level across the group – Bank executive directors have access to the same benefits as bank employees mentioned above, being company-funded benefits such as pension schemes, private medical insurance, permanent health insurance and life insurance
Short-term incentive	• Discretionary performance bonuses based on business and individual performance • The amounts available to be distributed are based on the bank-wide Risk adjusted Economic Value Added (EVA) model which is, at a high level, based on revenue less risk-adjusted costs, and overall affordability • At an individual level the bonus allocations are determined based on performance against qualitative and quantitative factors. Qualitative measures include adherence to culture, market context, contribution to performance and brand building, attitude displayed towards risk consciousness and effective risk management
	Non-Material Risk Takers: • For employees who are not Material Risk Takers, all bonus awards exceeding a pre-determined threshold are subject to 60% deferral in respect of the portion exceeding the threshold • The deferred amount is awarded in the form of: short-term share awards vesting in three equal tranches over a period of approximately three years; or cash released in three equal tranches over a period of approximately three years • Deferred bonuses are subject to malus conditions
	Material Risk Takers: Bonus awards are subject to deferral as follows: • Where variable remuneration, comprising bonus and LTIP, exceeds £500,000, 60% of variable remuneration is deferred; • Where variable remuneration is less than £500,000 40% is deferred, unless the de minimis concession is met in which case there is no deferral • A minimum of 50% of both the deferred and non-deferred elements are delivered in shares, with the remaining balance in cash • The deferred elements vest over periods from three up to seven years and are subject to an appropriate retention period, generally twelve months, after vesting • All variable remuneration is subject to clawback • All deferred variable remuneration is subject to malus • MRTs are subject to the 2:1 maximum ratio of variable to fixed remuneration
Other	• Variable remuneration of employees in the audit, risk and compliance functions is set independently of the business they oversee • The non-executive directors are not eligible to participate in any of the group’s incentive plans or to join any pension scheme. They do not receive any taxable benefits over and above reimbursement for agreed travel and subsistence.

REMUNERATION REPORT
CONTINUED

Consideration of all employee remuneration

The IBP Remuneration Committee reviews changes in remuneration arrangements in the workforce as we recognise that all our people play an important role in the success of the bank. The bank is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner, and the IBP Remuneration Committee reviews our practices around creating a fair, diverse and inclusive working environment.

In making decisions on executive pay, the IBP Remuneration Committee considers wider workforce remuneration and conditions to ensure that they are aligned on an ongoing basis. Effective from 2019 the board appointed a designated non-executive director to represent employees in the boardroom. The designated NED acts as an engagement mechanism between our employees and the board and some of their key objectives are to:

- Ensure the reward, incentives and conditions available to the company's workforce are taken into account when deciding the pay of executive directors and senior management
- Enable the IBP Remuneration Committee to explain to the workforce each year how decisions on executive pay reflect wider company pay policy
- Assist the IBP Remuneration Committee to provide feedback to the board on workforce reward, incentives and conditions, and support the latter's monitoring of whether company policies and practices support culture and strategy.

The board believes that employees throughout the bank should be able to share in the success of the bank. As such, as outlined in the table on the prior page, in addition to the fixed pay element, all of our employees have access to market relevant benefits, and all employees are eligible to be considered for an annual bonus after a short initial qualifying period. The board believes strongly in share ownership among our employees and therefore all employees are, in principle, eligible to participate in our long-term incentive scheme.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at a bank, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Determination of remuneration levels for employees

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration in the bank include:

- Financial measures of performance:
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values, including supporting belonging, inclusion and diversity
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The IBP Remuneration Committee recognises that the bank operates an international business and competes with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- Whilst benchmarking information is utilised, it is considered along with other relevant factors, including internal comparators, the scope and complexity of the role and the individual's contribution.

REMUNERATION REPORT
CONTINUED

Variable remuneration

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives reflects differing regulatory requirements for the different legal entities and also differing competitive pressures in each distinct market in which the bank operates.

Specialist Bank: variable short-term incentive

Risk-weighted returns form the basis for variable remuneration levels

In our ordinary course of business, we face a number of risks that could affect our business operations, as highlighted on page 48.

Risk management is independent from the business units and monitors, manages and reports on the bank's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the IBP Board Risk and Capital Committee (IBP BRCC). The bank monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The IBP BRCC (comprising non-executive directors) sets the overall risk appetite for the bank and determines the categories of risk, the specific types of risks and the extent of such risks which the bank should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the bank's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The IBP Capital Committee is a sub-committee of the IBP BRCC and provides detailed input into the bank's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the bank should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The IBP Review Executive Risk Review Forum (Review ERRF) and IBP Executive Risk Committee (IBP ERC), comprising members of the executive and the heads of the various risk functions, meet weekly. These Committees' responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risks are implemented.

The bank's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis. The riskiness of business undertaken is evaluated and approved prior to initiation of the business through various central forums and committees, credit committees, investment committees and IBP New Product and Initiative Forum and is reviewed and ratified at Review ERRF and IBP ERC on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the bank results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore, the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a bank and transaction level, which form the basis of the bank's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Furthermore, both the risk and compliance functions are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception-only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding conduct or the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each business unit on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the executive, and agreed by the IBP Remuneration Committee.

REMUNERATION REPORT
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In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where a business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the executive and IBP Remuneration Committee, with support from group and the DLC Remuneration Committee, may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the bank, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the bank; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central services and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering group-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the bank's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the bank's finance function and are subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving the people & organisation function and the executive
- Thereafter, these recommendations are subject to a global review by executive management before the IBP Remuneration Committee and DLC Remuneration Committee review and approval process.

Deferral of annual bonus awards: other than Material Risk Takers within the Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches over approximately three years; or cash released in three equal tranches over approximately three years. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term share awards. These awards are made under the terms of our existing long-term incentive plans. The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: Material Risk Takers within the Bank

- Material Risk Takers include senior management, risk takers, staff engaged in certain central functions and any other employees whose professional activities have a material impact on the bank's risk profile
- Individual awards to MRTs are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the bank's remuneration policy and governance processes (also set out above)
- Variable remuneration awards to directors of the bank (excluding executive directors who are employees of a separately regulated firm) and all variable remuneration awards to other MRTs where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All variable remuneration awards to other MRTs where total variable remuneration is less than £500 000 are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance are awarded as 50% in cash and 50% in short-term share awards
- The upfront short-term share awards vest immediately, but are only released after a period of 12 months for all MRTs, with the exception of risk managers, for which it is six months

REMUNERATION REPORT
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- Variable remuneration awards for MRTs who are not exempted by the de minimis concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short-term share awards, or 50% in short-term share awards and 50% in cash
- All deferrals in the form of short-term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being 12 months, with the exception of risk managers, for which it is six-months.

Malus and clawback within the bank
Employees who leave the employment of the bank prior to vesting of deferred incentive awards will lose their deferred bonus forfeitable shares other than as a result of retirement, subject to the bank's normal good leaver provisions and approval process in exceptional cases.

The deferred share and cash awards for MRTs are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested awards will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or business unit suffers a material failure of risk management
- Other relevant events.

In these cases, management and the IBP Remuneration Committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the bank or business unit
- Any violation of the bank's culture and values
- The long-term impact of the outcome on the bank or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for short-term share awards, where profits used to determine the original bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to malus and/or clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards
The bank has a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the IBP Remuneration Committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration. These awards comprise two elements, namely:

- 'New starter' awards may be awarded on a discretionary basis to new starters and are generally linked to salary levels
- "Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the Staff Share Executive Committee and the IBP Remuneration Committee before being awarded.

Forfeitable shares for non-Material Risk Takers are subject to one third vesting after approximately three, four and five years, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and to vesting over a period of two to four years, or three to seven years, determined by regulatory requirements, and are then subject to a 12-month retention period, with the exception of risk managers, for which it is six-months. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

For further information on the share option and long-term share incentive plans in operation and in which the directors are eligible to participate, refer to the Investec group's 2021 integrated annual report.

REMUNERATION REPORT
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Other remuneration structures
Guaranteed variable remuneration
Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guaranteed awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the bank unless they are:

- exceptional
- in the context of hiring new staff, and
- limited to the first year of service.

The IBP Remuneration Committee, or the chair on behalf of the committee, is required to pre-approve individual remuneration packages (including new joiner, retention and severance remuneration) for the following:

- IBP executive directors
- IBP PDMRs
- IBP senior managers defined under the Senior Management and Certification Regime (SMCR).

All other forms of guaranteed remuneration above pre-determined thresholds are reported to the IBP and DLC Remuneration Committees.

Retention awards
The bank only pays retention awards to serving staff in exceptional circumstances. In all such cases, the people & organisation and reward functions shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for MRTs, the IBP Remuneration Committee shall review and approve all proposed awards. Circumstances where the bank will consider making retention awards include the case of a major restructuring of the group or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented to the IBP Remuneration Committee in order for a retention award to be approved. It is required that the PRA be notified prior to a retention award being made to an MRT, and their guidance sought on the appropriateness of retention awards for certain other individuals.

Severance awards
Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for MRTs in the bank are subject to all necessary regulatory requirements, and approval by the IBP Remuneration Committee.

Other remuneration structures
On occasion the bank may utilise other remuneration structures, not mentioned above, in certain pre-agreed circumstances such as are required by our clients or market practice.

Discretionary extended pension benefits policy
Extended pension payments are very rarely made and any such proposed payments to employees upon reaching retirement are required to be reviewed and approved by the IBP Remuneration Committee for alignment with appropriate laws, policy and regulation.

Governance

Compliance and governance statement
The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended), the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code and Pillar III disclosure requirements.

Scope of our remuneration policy
The bank aims to apply remuneration policies to executive directors and employees that are largely consistent across the bank, but recognises that certain parts of the bank are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the bank. This is relevant to Investec Bank plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to MRTs. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec Bank plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the bank policy and in line with such entity's own risk profile and business activities:

- Investec Wealth & Investment Limited.

Under the PRA and FCA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Wealth Management business has been classified as a level 3 entity under the proportionality rules of the PRA and FCA Remuneration Code.

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Audit information

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2021

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
Name	**31 March 2021**	1 April 2020	**31 March 2021**	**31 March 2021**	1 April 2020	**31 March 2021**
Executive directors						
Fani Titi	541 970	145 481	0.08%	—	—	0.00%
Ruth Leas	146 847	131 469	0.02%	—	—	0.00%
Kevin McKenna	25 659	56 484	0.00%	—	—	0.00%
Chris Meyer[4]	206 331	176 143	0.03%	—	—	0.00%
Alistair Stuart[5]	33 104	57 088	0.00%	—	—	0.00%
Ryan Tholet[6]	17 632	37 301	0.00%	—	11 082	0.00%
Total	**971 543**	**603 966**	**0.10%**	**—**	**11 082**	**0.00%**
Non-executive directors						
Brain Stevenson (Chairman)	—	—	0.00%	—	—	0.00%
Henrietta Baldock[7]	—	—	0.00%	—	—	0.00%
Zarina Bassa	—	—	0.00%	—	—	0.00%
David Friedland[8]	—	—	0.00%	—	—	0.00%
David Germain[9]	—	—	0.00%	—	—	0.00%
Moni Mannings	—	—	0.00%	—	—	0.00%
P Seward	—	—	0.00%	—	—	0.00%
Lesley Watkins	—	—	0.00%	—	—	0.00%
Total	**—**	**—**	**0.00%**	**—**	**—**	**0.00%**

The table above reflects holdings of shares by current directors at 31 March 2021.
1. The issued share capital of Investec plc and Investec Limited at 31 March 2021 was 696.1 million and 318.9 million respectively.
2. The market price of an Investec plc share at 31 March 2021 was £2.19 (2020: £1.52), ranging from a low of £1.26 to high of £2.35 during the financial year.
3. The market price of an Investec Limited share as at 31 March 2021 was R43.27 (2020: R33.99), ranging from a low of R28.14 to a high of R46.25 during the financial year.
4. Chris Meyer stood down as a director on 23 July 2020.
5. Alistair Stuart stood down as a director on 23 July 2020.
6. Ryan Tholet stood down as a director on 23 July 2020.
7. Henrietta Baldock was appointed as a non-executive director on 10 February 2021.
8. David Friedland stood down as a non-executive director on 15 September 2020.
9. David Germain was appointed as a non-executive director on 15 September 2020.

Directors' interest in preference shares at 31 March 2021
The directors' do not have any interest in preference shares.

Directors' interests in options at 31 March 2021
Investec plc shares
The directors do not have any interest in options over Investec plc shares.

Investec Limited shares
The directors do not have any interest in options over Investec Limited shares.

Directors' interests in long-term incentive plans at 31 March 2021
Investec plc shares
The directors do not have any interest in options over Investec plc shares

Investec Limited shares
The directors do not have any interest in options over Investec Limited shares.

REMUNERATION REPORT
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Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2021
Long-term share awards granted in respect of the 2019 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2020	Conditional awards made during the year	**Balance at 31 March 2021**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
Fani Titi	29 May 2019	Nil	278 080	—	**278 080**	1 April 2019 to 31 March 2022	One fifth is exercisable on 29 May each year commencing on 29 May 2022 until 29 May 2026 subject to performance criteria being met	A further twelve months' retention period after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award.
	5 June 2020	Nil	—	769 231	**769 231**	1 April 2020 to 31 March 2023	One fifth is exercisable on 05 June each year commencing on 05 June 2023 until 05 June 2027 subject to performance criteria being met	A further twelve months' retention period after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award.

Conditional awards to material risk takers at 31 March 2021 not subject to performance conditions

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2020	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2021**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Fani Titi	29 May 2019	Nil	73 804	—	(36 902)	**36 902**	£1.59	58 674	One half is exercisable on 29 May each year, commenced on 29 May 2020 until 29 May 2021, subject to a further twelve months' retention period after vesting date.
Ruth Leas	31 May 2018	Nil	20 375	—	—	**20 375**	—	—	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	37 933	—	—	**37 933**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date.
Kevin McKenna	8 June 2017	Nil	15 080	—	—	**15 080**	—	—	One half is exercisable on 8 June each year, commencing on 8 June 2023 until 8 June 2024, subject to a further six months' retention period after vesting date.
	31 May 2018	Nil	55 137	—	—	**55 137**	—	—	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	75 866	—	—	**75 866**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date.
Chris Meyer	31 May 2018	Nil	118 595	—	(29 648)	**88 947**	£1.47	43 650	One fifth is exercisable on 31 May each year, commenced on 31 May 2019 until 31 May 2023, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	81 121	—	(16 224)	**64 897**	£1.54	25 035	One fifth is exercisable on 29 May each year, commenced on 29 May 2020 until 29 May 2024, subject to a further twelve months' retention period after vesting date.
Ryan Tholet	31 May 2018	Nil	30 664	—	(7 666)	**22 998**	£1.47	11 286	One fifth is exercisable on 31 May each year, commenced on 31 May 2019 until 31 May 2023, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	38 396	—	(7 679)	**30 717**	£1.54	11 849	One fifth is exercisable on 29 May each year, commenced on 29 May 2020 until 29 May 2024, subject to a further six months' retention period after vesting date.

REMUNERATION REPORT
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Conditional awards to material risk takers at 31 March 2021 subject to performance conditions

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2020	Options granted/ lapsed during the year	Exercised during the year	**Balance at 31 March 2021**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Ruth Leas	2 June 2016	Nil	10 000	—	(10 000)	**—**	£1.95	19 451	
	8 June 2017	Nil	40 000	—	(20 000)	**20 000**	£1.94	38 786	Final one third is exercisable on 8 June 2022 and subject to six months' retention after vesting date.
	31 May 2018	Nil	60 000	—	—	**60 000**	—	—	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	62 631	—	—	**62 631**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date.
	5 June 2020	Nil	—	256 411	—	**256 411**	—	—	One fifth is exercisable on 05 June each year, commencing on 05 June 2023 until 05 June 2027, subject to a further twelve months' retention period after vesting date.
Kevin McKenna	2 June 2016	Nil	20 000	—	(20 000)	**—**	£1.95	38 902	
	8 June 2017	Nil	60 000	—	(12 000)	**48 000**	£1.89	22 651	One fifth is exercisable on 8 June each year, commenced on 8 June 2020 until 8 June 2024, subject to a further six months' retention period after vesting date.
	31 May 2018	Nil	60 000	—	—	**60 000**	—	—	One fifth is exercisable on 31 May each year, commenced on 31 May 2021 until 31 May 2025, subject to a further twelve months' retention period after vesting date.
	31 May 2019	Nil	62 631	—	—	**62 631**	—	—	One fifth is exercisable on 29 May each year, commencing on 29 May 2022 until 29 May 2026, subject to a further twelve months' retention period after vesting date.

REMUNERATION REPORT
CONTINUED

Conditional awards to material risk takers at 31 March 2021 subject to performance conditions (continued)

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2020	Options granted/ lapsed during the year	Exercised during the year	Balance at 31 March 2021	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Chris Meyer	2 June 2016	Nil	23 334	—	(23 334)	**—**	£1.95	45 386	
	8 June 2017	Nil	46 667	—	(23 333)	**23 334**	£1.94	45 249	Final one third is exercisable on 08 June 2022 and subject to six months' retention period after vesting date.
	31 May 2018	Nil	70 000	—	(23 333)	**46 667**	£1.47	34 352	One third exercisable on 31 May 2020, 30 November 2021 and 31 May 2023 respectively, subject to a further twelve months' retention period after vesting date.
	29 May 2019	Nil	73 069	—	—	**73 069**	—	—	One third exercisable on 29 May 2021, 29 November 2022 and 29 May 2024 respectively, subject to a further twelve months' retention period after vesting date.
Ryan Tholet	8 June 2017	Nil	33 334	—	(16 666)	**16 668**	£1.94	32 320	Final one third is exercisable on 08 December 2021 and subject to six months' retention period after vesting date.
	31 May 2018	Nil	50 000	—	(16 666)	**33 334**	£1.91	31 870	One third exercisable on 30 November 2020, 30 November 2021 and 31 May 2023 respectively, subject to a further six months' retention period after vesting date.
	29 May 2019	Nil	62 631	—	—	**62 631**	—	—	One third exercisable on 29 November 2021, 29 November 2022 and 29 May 2024 respectively, subject to a further six months' retention period after vesting date.

The above awards to Material Risk Takers are subject to performance conditions and a six or twelve month retention period after the award vests. In addition, these awards are subject to clawback in respect of some or all of the unvested portion of the award in terms of the PRA Remuneration Code.

The performance conditions will be assessed by the IBP Remuneration Committee and the DLC Remuneration Committee, in accordance with the rules and requirements of the PRA from time to time, at the end of each financial year of the performance period. For each year within the performance period that the return on risk weighted assets for Investec Bank plc is equal to or greater than 0.3%, the performance condition for 25% of the award is satisfied, in which case 25% of the award will vest on the relevant vesting date (subject to clawback).

Outstanding unvested deferred forfeitable share awards not subject to performance conditions

Name	Award type	Performance conditions	Eligible for dividends	Vesting period	Total number outstanding at 31 March 2021
Ruth Leas	Forfeitable shares	None	Yes	From 1 to 7 years	2 095
Kevin McKenna	Forfeitable shares	None	Yes	From 1 to 7 years	15 078
Chris Meyer	Forfeitable shares	None	Yes	From 1 to 7 years	25 954
Ryan Tholet	Forfeitable shares	None	Yes	From 1 to 7 years	—

REMUNERATION REPORT
CONTINUED

Directors' emoluments

	2021	2020
Aggregate emoluments (excluding pension contributions)	4 544	9 712
Contributions to defined contributions scheme	111	269
	4 655	**9 981**
Number of directors in defined contributions scheme	6	8
Number of directors in closed defined benefits scheme	—	–

Included in aggregate emoluments for the current year are performance awards to executive directors excluding Investec group executive directors, whose remuneration is disclosed individually in the Investec group's 2021 integrated annual report. Performance awards comprise £266 223 in upfront cash, £809 102 in upfront shares (vesting immediately and subject to 12 months' retention thereafter), £10 427 in deferred cash (vesting equally over one to five years, or three to seven years, subject to regulatory requirements), and £409 922 in deferred short-term share awards (vesting equally over one to five years, or three to seven years, subject to regulatory requirements).

Emoluments of the highest paid director were £1 905 832 (2020: £1 290 000) excluding £32 661 of pension contribution to the defined contribution scheme. The performance awards of the highest paid director comprise £0 in upfront cash, £542 879 in upfront shares (vesting immediately and subject to 12 months' retention thereafter) and £361,919 in deferred short-term share awards (vesting over one to seven years). The emoluments include long-term incentives with vesting subject to achievement against future performance conditions.

The directors have, during the year, exercised options granted to them under various of the Investec plc group's long-term incentive plans.

Full details are included on pages 160 to 163.

Non-executive directors receive fees based on their board and committee membership and roles.

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below

Summary: Investec plc and Investec Limited share statistics

	31 March 2021	31 March 2020	High over the year	Low over the year
Investec plc share price	£2.19	£1.52	£2.35	£1.26
Investec Limited share price	R43.27	R33.99	R46.25	R28.14
Number of Investec plc shares in issue (million)	696.1	696.1		
Number of Investec Limited shares in issue (million)	318.9	318.9		

Additional remuneration disclosures (unaudited)

PRA and FCA Remuneration Code and Pillar III disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation, the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 60 individuals were Material Risk Takers at 31 March 2021.

The bank's qualitative remuneration disclosures are provided on pages 148 to 159 and further information is provided in the Investec group's 2021 integrated annual report.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2021.

REMUNERATION REPORT
CONTINUED

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Other Material Risk Takers	Total
Fixed remuneration			
– Cash	9.3	12.6	21.9
– Shares	—	—	—
Variable remuneration*			
– Upfront cash	1.3	1.9	3.2
– Deferred cash	0.1	0.2	0.3
– Upfront shares	2.2	2.5	4.7
– Deferred shares	0.9	0.7	1.6
– Deferred shares – long-term incentive awards**	3.9	4.9	8.8
Total aggregate remuneration and deferred incentives (£'million)	**17.7**	**22.8**	**40.5**
Number of employees	21	33	54
Ratio of variable to fixed pay	0.9	0.8	0.8

* Total number of employees receiving variable remuneration was 42.

** Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period of two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a six or 12-month retention period after vesting.

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	7
£1 200 001 – £1 600 000	7
£1 600 001 – £2 000 000	2
£2 000 001 – £2 400 000	1
£2 400 001 – £2 800 000	0
£2 800 001 – £3 200 000	1
£3 200 001 – £3 600 000	0
£3 600 001 – £4 000 000	0
£4 000 001 – £4 400 000	0
£4 400 001 – £4 800 000	0
£4 800 001 – £5 200 000	0
> £5 200 001	0

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the beginning of year	26.7	22.9	49.6
Deferred unvested remuneration adjustment – employees no longer MRT staff and reclassifications	(3.9)	(3.1)	(7.0)
Deferred remuneration awarded in the year	4.9	5.8	10.7
Deferred remuneration reduced in year through performance adjustments	—	—	—
Deferred remuneration reduced in year through malus and clawback adjustments^^	—	—	—
Deferred remuneration vested in year	(4.2)	(7.0)	(11.2)
Deferred unvested remuneration outstanding at end of year	**23.5**	**18.6**	**42.1**

^^ All employees are subject to malus and clawback provisions as discussed on page 158. No remuneration was reduced for ex post implicit adjustments during the year.

REMUNERATION REPORT
CONTINUED

£'million	Senior management	Other Material Risk Takers	**Total**
Deferred unvested remuneration outstanding at the end of the year			
– Equity	22.1	16.4	38.5
– Cash	1.3	2.1	3.4
	23.4	**18.5**	**41.9**

£'million	Senior management	Other Material Risk Takers	**Total**
Deferred remuneration vested in year			
– For awards made in 2019 financial year	0.9	1.5	2.4
– For awards made in 2018 financial year	1.4	2.7	4.1
– For awards made in 2017 financial year	1.2	2.2	3.4
– For awards made in 2016 financial year	0.8	0.5	1.3
	4.3	**6.9**	**11.2**

£'million	Senior management	Other Material Risk Takers	**Total**
Sign-on payments			
Made during the year (£'million)	—	—	—
Number of beneficiaries	—	—	—
Severance payments			
Made during the year (£'million)	0.2	1.7	1.9
Number of beneficiaries	2	8	10
Guaranteed bonuses			
Made during the year (£'million)	—	—	—
Number of beneficiaries	—	—	—

Key Management Personnel (audited)

Details of directors' remuneration and interest in shares are disclosed on pages 160-163.

IAS 24 "Related party disclosures" requires the following additional information for key management compensation.

Compensation of key management personnel	**2021 £'000**	2020 £'000
Short-term employee benefits	11 919	13 362
Other long-term employee benefits	4 263	5 735
Share-based payments	3 105	5 365
Total	19 287	24 462

Shareholdings, options and other securities of key management personnel

	2021 £'000	2020 £'000
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	2 034	5 187

	2021 £'000	2020 £'000
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	3 833	4 073

We have defined key management personnel as the directors of Investec Bank plc and Investec Limited plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Mark Currie, Marc Kahn, Nishlan Samujh, Lyndon Subroyen, Fani Titi, Richard Wainwright and Ciaran Whelan.

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Annual financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC

Opinion
In our opinion:

- Investec Bank plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted from time to time by the European Commission in accordance with Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Investec Bank plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 March 2021	Balance sheet as at 31 March 2021
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of total comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 8, 9,14-32, 34-38, 40-42, 44-50, 53-54, 56, 57 and 59 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 58 to the financial statements, including a summary of significant accounting policies	
Information identified as 'audited' in the annual report on risk management in section three	
Information identified as 'audited' in the annual report on remuneration in section four	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards as adopted from time to time by the European Commission in accordance with Regulation (EC) No 1606/2002 as it applies in the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting has included the following;

- We have understood management's going concern assessment process, including the impact of the COVID-19 pandemic (COVID-19);
- We have reviewed the Board approved budgets, including assessing the reasonableness and completeness of assumptions and historical forecasting accuracy. In assessing these assumptions, we considered the impact of COVID-19, the trading environment, principal risks and appropriate mitigating factors. We performed back-testing by comparing the budget of prior periods to actual results to assess the historical accuracy of management's forecasting process;
- We have assessed the information used in the going concern assessment for consistency with the operating plan and information obtained through auditing other areas of the business, obtaining an understanding of the business planning process and challenging the central assumptions.
- We have involved specialists to review the results of management's stress testing, including consideration of principal and emerging risks on funding, liquidity and regulatory capital. We performed independent stress testing of capital and liquidity ratios and evaluated the plausibility of the outcome under which regulatory minimum requirements would be breached. In addition, we evaluated the viability of management actions available to mitigate erosion of capital and liquidity;
- We have assessed the group's compliance with external debt covenants;
- We have reviewed correspondence with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) for matters that may impact the going concern assessment; and
- We have evaluated the appropriateness and conformity of the going concern disclosure included in the annual report with the reporting standards and management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a 12 months period from the date the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Overview of our audit approach	
Audit Scope	• We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further two components. • The components where we performed full or specific audit procedures accounted for 93% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("operating profit"), 97% of total operating income before expected credit loss impairment charges ("revenue") and 98% of total assets.
Key Audit Matters	• Adequacy of the allowance for expected credit losses on loans and advances to customers; • Valuation of level 3 financial instruments and the valuation of the structured products book; • Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims; and • IT systems and controls impacting financial reporting.
Materiality	• We applied group materiality of £9.7m which represents 5% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("adjusted operating profit").

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements.

We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and other factors such as changes in the business environment when assessing the level of work to be performed at each component.

Of the six components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For two other components ("specific scope components") we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. For the remaining two components we performed limited review procedures.

Component	Scoping
Investec Bank plc – parent company	Full
Investec Wealth and Investment Limited	Full
Investec Channel Islands	Specific
Investec Australia	Specific

The reporting components where we performed audit procedures accounted for 93% (2020: 96%) of the group's operating profit, 97% (2020: 96%) of the group's revenue and 98% (2020: 99%) of the group's total assets.

For the current year, the full scope components contributed 85% (2020: 93%) of the group's operating profit, 90% (2020: 93%) of the group's revenue and 89% (2020: 98%) of the group's total assets.

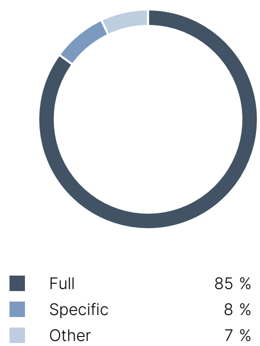
The specific scope components contributed 8% (2020: 3%) of the group's operating profit, 7% (2020: 3%) of the group's revenue and 9% (2020: 0.4%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

The remaining components represent 7% (2020: 4%) of the group's operating profit and for those components we performed analytical review.

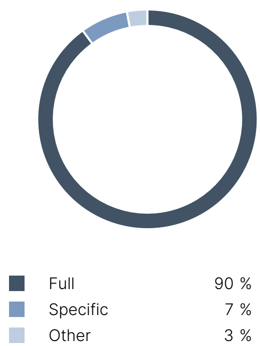
As a result of the COVID-19 outbreak and resulting lockdown restrictions in all of the countries where full or specific scope audit procedures have been performed, we have modified our audit strategy to allow for the audit to be performed remotely at both the group and component locations. This approach was supported through remote user access to the group's financial systems and the use of EY collaboration tools for the secure and timely delivery of requested audit evidence.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

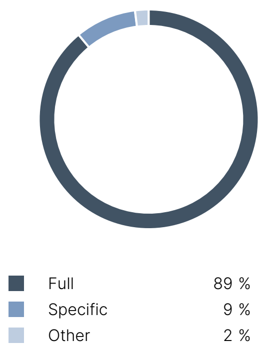
Operating profit



Revenue



Total Assets



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Changes from the prior year

The scope changes in the current year are as follows:

- Australia made up an increased proportion of group operating profits during the year. Consequently, we increased the scope of work on Investec Australia from specific procedures to a specific scope component.
- We moved Investec Channel Islands from being a full scope to a specific scope component based on our risk assessment for this business.

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

During the current year's audit cycle, due to COVID-19, in-person reviews undertaken by the primary audit team were necessarily replaced with virtual reviews. These reviews involved video conference meetings where we discussed the audit approach with the component team and key matters arising from their work. The primary team interacted regularly with component teams and maintained a continuous and open dialogue with them, as well as holding formal meetings at key phases of the audit, to ensure that the primary team were fully aware of their progress and the results of their procedures. The primary team also reviewed key working papers and were responsible for the scope and direction of the audit process. In some instances, we attended audit team meetings with key component management and component Audit Committee meetings.

This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Adequacy of the allowance for expected credit losses on loans and advances to customers	
Refer to the Audit Committee Report (page 132 of section Three); Accounting policies (page 193 and 198); and Note 27 of the Consolidated Financial Statements (page 250-251) The appropriateness of the allowance for expected credit losses is highly subjective and judgmental. The impact of COVID-19 continues to result in additional judgments and assumptions being applied as at 31 March 2021. At the year-end the group reported gross loans and advances to customers subject to expected credit losses of £11,968.8 million (2020: £11,354 million); expected credit losses on loans and advances to customers at amortised cost and FVOCI of £164 million (2020: £173 million); and expected credit loss impairment charges of £62 million (2020: £73 million). Given the subjective nature of the calculation of Expected Credit Loss (ECL) there is a heightened risk that the provisions could be manipulated. We focused on the following: • Staging/assessment of significant increase in credit risk: Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages; • Multiple economic scenarios: The appropriateness of the economic scenarios determined by management, the probability weights assigned to each and the inputs and assumptions used to estimate their impact; • ECL model: The assumptions used in the models to calculate ECL, including: – Completeness and accuracy of historical data used to calibrate the models; – Completeness and accuracy of data used to run the models; and – Key model assumptions and techniques, including in-model adjustment where floors for the impact of macroeconomic inputs have been applied. • Post model adjustments: Adequacy of post model adjustments, including post model adjustment in relation to the effect of COVID-19; • Individually assessed provisions: For individually assessed provisions the measurement of the provision is dependent on the valuation of collateral, estimates of exit values, the timing of cash flows and discount rates; and • Disclosures: Finance and credit processes to produce the financial statement disclosures. The level of risk has remained consistent with the prior year.	To address the significant judgments and estimates we focused on the following key procedures: **Staging/assessment of significant increase in credit risk** We assessed the design and tested the operating effectiveness of key controls focusing on the following: • Assessment and approval of a significant increase or reduction in credit risk and monitoring of asset levels in each stage. This included our consideration of management's assessment of the impact of payment holidays granted to counterparties as a result of COVID-19; • Approval of staging criteria; • Assessment of manual overrides to staging outcomes; and • Data quality. We also performed substantive testing for a sample of assets in stages 1, 2 and 3 to evaluate they were included in the appropriate stage. **Multiple economic scenarios** We assessed the design and tested operating effectiveness of key controls focusing on the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the joint Audit and Board Risk and Capital Committee where the economic scenarios were approved. We involved our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. **ECL model** We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9. We involved our modelling specialists to test assumptions used in the ECL model including the in-model adjustments to the Investec plc models. This included performing an assessment of: • the model design documentation against accepted industry principles; • the appropriateness of the methodology, considering alternative techniques including the in-model adjustments; and • the programming code to review its consistency with the design documentation. We also tested a sample of the historical and reporting date data used in the models by tracing back to the source systems.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Adequacy of the allowance for expected credit losses on loans and advances to customers (continued)	
	Post model adjustments For the COVID-19 overlay we used our modelling specialists to assess the adjustment made by management to reflect the impact from COVID-19 and the offsetting effect of government measures by considering the data, judgments, methodology and sensitivity analysis of these adjustments. We obtained an understanding of the model limitations to evaluate the appropriateness of the related adjustments. We also independently recalculated these adjustments. **Individually assessed provisions** We assessed the design and tested operating effectiveness of key controls focusing on the following processes: • The calculation of the provision, incorporating collateral valuations and work out strategies, and annual credit reviews. • The estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; • The approval of the final provision amount by management's impairment decision committee; and • The existence and legal right to collateral. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retail, hotel and leisure properties and transport including aviation. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising. **Disclosures** We evaluated the adequacy of disclosures in the financial statements including the appropriateness assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures.

The audit work was performed centrally by the Investec Bank plc audit team supported by relevant component audit teams, as required. We have performed audit work over 100% of the ECL.

Key observations communicated to the Audit Committee
Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9.

We highlighted the following matters to the Audit Committee:

- Overall provision levels were reasonable which also considered available peer information and our understanding of the credit environment;
- Where the design of key controls was effective, we tested those key controls and concluded they had operated effectively. We identified a limited number of design deficiencies that required us to perform compensating substantive procedures to conclude on the balances.
- Our testing of models and model assumptions highlighted some design deficiencies resulting in judgmental differences; however, these did not result in a material impact on the financial statements.
- The in-model and post-model adjustments applied were reasonable and addressed model shortcomings identified;
- For individually assessed impairments and the COVID-19 overlay, judgmental differences both increasing and decreasing impairment levels were identified; however, none of these individually or in aggregate were material to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	**Our response to the risk**
Valuation of level 3 financial instruments and the valuation of the structured products book	
Refer to the Audit Committee Report (page 132 of section Three); Accounting policies (page 191 to 195, 197 and 198); and Note 15 of the Consolidated Financial Statements (page 222 to 236) There are £4,596m (2020: £5,435m) of assets that are required to be fair valued under the IFRS accounting framework. For level 3 instruments there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. At the year end the group reported level 3 assets of £1,625m (2020: £1,692m) and level 3 liabilities of £136m (2020: £138m). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, was the fair value aviation loans portfolio. Significant judgment is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. We have also included £278 million of level 2 assets and £624 million of level 2 liabilities held in relation to the structured products book within this risk in the current period given their size and the subjectivity involved in the valuation of this book. (see page 45 for further details). The level of risk has remained the same as in the prior year	We assessed the design and tested operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis. Where inputs or assumptions were not observable in the market, we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market. In addition, specifically for: • the fair value aviation loans portfolio we involved our aircraft valuation specialists to independently assess the underlying collateral valuations, and extended our sample sizes given the vulnerability of the sector; and • the elevated risk in the structured products book we increased the extent of the sample of positions independently revalued by our valuation specialists, we tested the completeness and accuracy of the valuation adjustments held against the portfolio and assessed management's conclusions in relation to the fair value hierarchy disclosures in accordance with IFRS 13 Fair Value Measurement.

We performed full audit procedures over this risk area for two components, which covered 100% (2020: 100%) of the risk amount.

Key observations communicated to the Audit Committee
We highlighted the following matters to the Audit Committee:

Based on the testing performed we concluded for the key controls tested that they were designed and operated effectively; therefore, we could place reliance on these key controls for the purposes of our audit.

Our substantive testing of Level 3 positions highlighted some judgmental differences both increasing and decreasing valuation levels; however, none of these individually or in aggregate were material to the financial statements.

Based on our substantive testing on the structured products book we concluded that the valuations including associated valuation adjustments, are appropriate at the balance sheet date and have been correctly classified within the fair value hierarchy disclosures.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Risk	Our response to the risk
Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims	
Refer to the Audit Committee Report (page 133 of section Three); Accounting policies (page 197 to 198); and Note 10 and 47 of the Consolidated Financial Statements (page 209 to 210 and 269) There are ongoing investigations into historical German dividend arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. In addition, whilst the group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the group in the future. Consequently, management made judgments about whether and how much to provide for potential liabilities which are subject to change in future periods as more information becomes available. The level of risk has remained the same as the prior year.	We examined the latest court rulings and analysis performed by management which set out the basis for the judgments in relation to the historical German dividend arbitrage transactions. We also inspected the correspondence between the group and its external advisors and between the group and Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of proceedings. With the assistance of our specialists, we have considered the matters in dispute and assessed the available evidence. We also evaluated the exposure and the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne and the potential related civil claims.
We performed full scope audit procedures over this risk area in the component impacted by the risk.	
Key observations communicated to the Audit Committee We highlighted the following matters to the Audit Committee: Based on the information that is currently available in respect of the investigation by the Office of the Public Prosecutor in Cologne we considered the related treatment and disclosure to be appropriate.	
IT systems and controls impacting financial reporting	
The group relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Controls over changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data. A series of remediation programmes were in place by management during the year to address previously identified control deficiencies. This has decreased the risk compared to the prior year with the risk now focused on segregation of IT duties in the change management process and user access controls.	We have evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting. We have tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations, and tested the completeness and accuracy of system and data feeds. In response to control deficiencies existing during the year we performed the following additional testing procedures to mitigate the risks identified: • We understood the nature of the deficiency and, where possible, obtained further evidence to support the appropriateness of any activities performed; • Tested downstream compensating business controls; and • Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations.
The primary audit engagement team and component auditors have considered the impact of IT systems and controls impacting financial reporting throughout the audit.	
Key observations communicated to the Audit Committee We noted an improvement in the IT control environment compared with the prior year due to the remediation programmes management have put in place. However, we continue to identify control deficiencies predominately in relation to segregation of IT duties in the change management process and user access controls. We are satisfied, based on the initial and additional testing outlined above, that the findings identified in relation to the IT control environment relevant to the financial statements have not resulted in a material misstatement.	

In the current year's auditor's report, we incorporated the impact of COVID-19 into existing risk areas, where appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the group to be £9.7 million (2020: £14.5 million), which is 5% (2020: 7.5%) of adjusted operating profit. The reduction to the % applied is due to the operational changes within the business and earnings volatility partially related to COVID-19.
- We believe that adjusted operating profit provides us with the most appropriate measure to reflect the performance of the group. The adjustments made to the operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions of (£107.4m) were the removal of:
  – risk management and risk reduction costs relating to the structured products book of £93.0 million (as set out on page 45),
  – profits recognised from the sale of Investec Australia Property Fund (IAPF) management company of £20.4 million (as set out on page 260),
  – profits recognised from the formation of a joint venture with State Bank of India of £13.0 million (as set out on page 260), and
  – restructuring costs of £26.0 million (as set out on page 15).

We determined materiality for the Parent Company to be £8.8 million (2020: £8.5 million), which is 1% (2020: 1%) of distributable equity. There has been no change in the basis from the prior year.

Starting basis ↓	• Starting point - £107.4m • Operating profit before goodwill, acquired intangibles and strategic actions
Adjustments ↓	• Details of adjustments - £85.6m • (Explained above)
Materiality	• Totals £193.0m • Materiality of £9.7m (5% of materiality basis)

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £4.8 million (2020: £7.3 million). We have set performance materiality at this percentage based on our understanding of the group and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.9 million to £3.1 million (2020: £2.6 million to £4.1 million).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2020: £0.7 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report and accounts, including the Directors Report (set out on pages 143 to 146), Strategic Report (Operations and Strategic Overview set out on pages 3 to 26 and Financial Review set out on pages 27 to 42), Risk Management (set out on pages 43 to 107), Credit Ratings (set out on page 26), Corporate Governance (set out on pages 108 to 142), Remuneration Report (set out on pages 147 to 166), Directors' Report (set out on pages 143 to 146), Definitions (set out on page 301), Glossary (set out on page 302), and Corporate Information (set out on page 304), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and;
- The section describing the work of the audit committee.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 145, Director's Report in the Annual Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTEC BANK PLC
CONTINUED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - The regulations, licence conditions and supervisory requirements of the PRA and FCA
  - Companies Act 2006
  - Financial Reporting Council (FRC) and UK Corporate Governance Code
  - Tax Legislation
- We obtained a general understanding of how the group complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the group and parent company and regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and parent company's approach to governance, demonstrated by the Board's approval of the group and parent company's governance framework and the Board's review of the group's risk management framework and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the parent company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.
- The group and parent company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by considering the controls that the group and company has established to address risks identified by the group and company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address
- Following the recommendation from the audit committee, we were appointed by the group on 8 November 1996 to audit the financial statements for the year ending 31 March 1997 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 25 years, covering the years ending 31 March 1997 to 31 March 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Kenneth Eglinton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 June 2021

CONSOLIDATED INCOME STATEMENT

For the year to 31 March **£'000**	Notes	**2021**	2020^
Interest income	2	702 126	784 421
Interest income calculated using effective interest method		585 399	623 748
Other interest income		116 727	160 673
Interest expense	2	(288 035)	(374 872)
Net interest income		**414 091**	**409 549**
Fee and commission income	3	499 671	495 789
Fee and commission expense	3	(13 201)	(13 766)
Investment income	4	23 820	6 591
Share of post-taxation profit of associates and joint venture holdings	29	1 768	2 128
Trading income/(loss) arising from			
– customer flow		(11 025)	50 980
– balance sheet management and other trading activities		11 206	(528)
Other operating income	5	10 002	6 464
Total operating income before expected credit loss impairment charges		**936 332**	**957 207**
Expected credit loss impairment charges	6	(71 134)	(75 706)
Operating income		**865 198**	**881 501**
Operating costs	7	(757 758)	(707 033)
Operating profit before goodwill, acquired intangibles and strategic actions		**107 440**	**174 468**
Impairment of goodwill	33	(8 787)	—
Amortisation of acquired intangibles	34	(12 851)	(12 915)
Closure and rundown of the Hong Kong direct investments business	12	7 387	(89 257)
Operating profit		**93 189**	**72 296**
Financial impact of group restructures	12	—	(26 898)
Profit before taxation		**93 189**	**45 398**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(31 270)	(7 638)
Taxation on goodwill, acquired intangibles and strategic actions	10	1 029	20 926
Profit after taxation		**62 948**	**58 686**
Loss/(profit) attributable to non-controlling interests		861	(864)
Earnings attributable to shareholder		**63 809**	**57 822**

^ Restated as detailed in note 57.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2021	2020
Profit after taxation		**62 948**	**58 686**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement*	10	821	(1 372)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		(228)	3 271
Foreign currency adjustments on translating foreign operations**		(3 771)	(1 002)
Effect of rate change on deferred taxation relating to adjustment for IFRS 9		380	(1 761)
Items that will never be reclassified to the income statement:			
Gains attributable to own credit risk*		62	9 440
Movement in post-retirement benefit liabilities		(39)	51
Total comprehensive income		**60 173**	**67 313**
Total comprehensive (loss)/income attributable to non-controlling interests		(861)	864
Total comprehensive income attributable to ordinary shareholder		44 159	49 574
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities		16 875	16 875
Total comprehensive income		**60 173**	**67 313**

* Net of £0.2 million tax credit (31 March 2020: £0.3 million tax charge), except for the impact of rate changes on deferred tax as shown separately above.
** Year to 31 March 2020 includes £0.8 million gains on recycling of currency translation differences from sale of Ireland wealth business.

BALANCE SHEETS

At 31 March £'000	Notes	Group 2021	 2020^
Assets			
Cash and balances at central banks	18	3 043 034	2 277 318
Loans and advances to banks	19	1 383 602	1 793 867
Reverse repurchase agreements and cash collateral on securities borrowed	20	2 065 232	2 458 822
Sovereign debt securities	21	1 108 253	1 084 958
Bank debt securities	22	48 044	51 238
Other debt securities	23	708 845	695 818
Derivative financial instruments	24	773 334	1 250 994
Securities arising from trading activities	25	281 645	256 645
Investment portfolio	26	350 941	350 662
Loans and advances to customers	27	12 316 313	11 834 207
Other loans and advances	27	162 456	266 501
Other securitised assets	28	107 259	106 218
Interests in associated undertakings and joint venture holdings	29	4 213	6 579
Deferred taxation assets	30	109 849	129 715
Current taxation assets		42 620	4 603
Other assets	31	1 395 915	1 457 556
Property and equipment	32	185 502	216 955
Goodwill	33	244 072	252 958
Software	34	7 791	6 955
Other acquired intangible assets	34	56 618	68 386
		24 395 538	**24 570 955**
Liabilities			
Deposits by banks		1 352 279	1 450 463
Derivative financial instruments	24	916 352	1 147 525
Other trading liabilities	36	49 055	118 572
Repurchase agreements and cash collateral on securities lent	20	157 357	396 811
Customer accounts (deposits)		16 240 634	15 505 883
Debt securities in issue	37	1 193 378	1 026 474
Liabilities arising on securitisation of other assets	28	108 281	110 679
Current taxation liabilities		37 287	43 470
Deferred taxation liabilities	30	20 652	22 112
Other liabilities	38	1 183 862	1 630 764
		21 259 137	**21 452 753**
Subordinated liabilities	40	771 481	787 030
		22 030 618	**22 239 783**
Equity			
Ordinary share capital	41	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		(12 827)	(11 071)
Retained income		494 092	455 609
Shareholder's equity excluding non-controlling interests		**2 114 530**	**2 077 803**
Additional Tier 1 securities in issue	42	250 000	250 000
Non-controlling interests in partially held subsidiaries	43	390	3 369
Total equity		**2 364 920**	**2 331 172**
Total liabilities and equity		**24 395 538**	**24 570 955**

^ Restated as detailed in note 57.

Ruth Leas
Chief Executive
22 June 2021

BALANCE SHEETS
CONTINUED

At 31 March £'000	Notes	Company 2021	 2020^
Assets			
Cash and balances at central banks	18	2 993 119	2 235 286
Loans and advances to banks	19	454 596	988 928
Reverse repurchase agreements and cash collateral on securities borrowed	20	2 065 232	2 458 822
Sovereign debt securities	21	542 016	540 554
Bank debt securities	22	43 781	51 238
Other debt securities	23	1 401 707	1 177 064
Derivative financial instruments	24	742 869	1 242 166
Securities arising from trading activities	25	278 074	250 445
Investment portfolio	26	67 948	61 075
Loans and advances to customers	27	9 360 090	8 857 194
Other loans and advances	27	2 813 729	2 749 651
Other securitised assets	28	5 774	6 137
Interests in associated undertakings and joint venture holdings	29	584	645
Deferred taxation assets	30	70 858	82 714
Current taxation assets		39 236	1 257
Other assets	31	702 351	704 623
Property and equipment	32	84 837	99 383
Software	34	545	1 056
Investment in subsidiaries	55	845 839	858 286
		22 513 185	**22 366 524**
Liabilities			
Deposits by banks		1 451 745	1 537 317
Derivative financial instruments	24	885 793	1 135 149
Other trading liabilities	36	49 055	118 572
Repurchase agreements and cash collateral on securities lent	20	157 357	396 811
Customer accounts (deposits)		15 493 774	14 559 110
Debt securities in issue	37	1 163 050	981 968
Current taxation liabilities		140	15 453
Deferred taxation liabilities	30	6 288	6 774
Other liabilities	38	528 547	869 225
		19 735 749	**19 620 379**
Subordinated liabilities	40	771 481	787 030
		20 507 230	**20 407 409**
Equity			
Ordinary share capital	41	1 280 550	1 280 550
Share premium		199 538	199 538
Capital reserve		153 177	153 177
Other reserves		(12 915)	(14 618)
Retained income		135 605	90 468
Shareholder's equity excluding non-controlling interests		**1 755 955**	**1 709 115**
Additional Tier 1 securities in issue	42	250 000	250 000
Total equity		**2 005 955**	**1 959 115**
Total liabilities and equity		**22 513 185**	**22 366 524**

^ Restated as detailed in note 57.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £70.2 million (2020: £24.1 million).

Ruth Leas
Chief Executive
22 June 2021

CASH FLOW STATEMENTS

For the year to 31 March £'000	Notes	Group 2021	Group 2020^	Company 2021	Company 2020^
Profit before taxation adjusted for non-cash items	45	193 584	144 478	171 312	73 382
Taxation paid		(52 385)	(12 415)	(37 737)	21 476
Decrease/(increase) in operating assets	45	472 934	(3 434 076)	24 318	(3 282 164)
(Decrease)/increase in operating liabilities	45	(167 411)	1 929 119	116 562	1 648 968
Net cash inflow/(outflow) from operating activities		**446 722**	**(1 372 894)**	**274 455**	**(1 538 338)**
Cash flow on acquisition of group operations		—	—	(50)	(12 499)
Cash flow on disposal of group operations and subsidiaries		20 388	44 913	—	—
Derecognition of cash on disposal of subsidiaries		(7 799)	(3 259)	—	—
Cash flow on net disposal of non-controlling interest		7 239	9 459	—	—
Cash flow on net acquisition of associates and joint venture holdings		—	500	—	—
Cash flow on acquisition of property, equipment, software and other intangible assets		(7 236)	(9 102)	(481)	(3 213)
Cash flow on disposal of property, equipment, software and other intangible assets		318	1 473	439	174
Return of capital by subsidiary		—	—	—	18 736
Net cash inflow/(outflow) from investing activities		**12 910**	**43 984**	**(92)**	**3 198**
Dividends paid to ordinary shareholder		(11 000)	(35 000)	(11 000)	(35 000)
Dividends paid to other equity holders		(16 875)	(16 875)	(16 875)	(16 875)
Proceeds on issue of shares, net of related costs		—	150 000	—	150 000
Lease liabilities paid		(53 454)	(51 214)	(10 071)	(4 989)
Net cash (outflow)/inflow from financing activities		**(81 329)**	**46 911**	**(37 946)**	**93 136**
Effects of exchange rate changes on cash and cash equivalents		**5 872**	**(5 501)**	**1 606**	**(824)**
Net increase/(decrease) in cash and cash equivalents		**384 175**	**(1 287 500)**	**238 023**	**(1 442 828)**
Cash and cash equivalents at the beginning of the year		3 983 460	5 270 960	3 164 912	4 607 740
Cash and cash equivalents at the end of the year		**4 367 635**	**3 983 460**	**3 402 935**	**3 164 912**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		3 043 034	2 277 318	2 993 119	2 235 286
On demand loans and advances to banks		1 324 601	1 706 142	409 816	929 626
Cash and cash equivalents at the end of the year		**4 367 635**	**3 983 460**	**3 402 935**	**3 164 912**

^ Restated as detailed in note 57.

Cash and cash equivalents have a maturity profile of less than three months. Loans and advances to banks with a maturity profile of greater than three months are £59.0 million (31 March 2020: £87.7 million) for group. Company £44.8 million (31 March 2020: £59.3 million).

The group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £35.9 million (31 March 2020: £24.8 million). These deposits are not available to finance the group's day-to-day operations.

STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Share premium	Capital reserve account
At 1 April 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	**—**	**—**	**—**
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	93 750	56 250	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from capital reserve	—	—	(9 612)
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2020	**1 280 550**	**199 538**	**153 177**
Movement in reserves 1 April 2020 – 31 March 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	**—**	**—**	**—**
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	—	—	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2021	**1 280 550**	**199 538**	**153 177**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves							
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
2 084	**(354)**	**(21 377)**	**447 924**	**1 921 154**	**250 000**	**(7 926)**	**2 163 228**
—	—	—	57 822	57 822	—	864	58 686
(1 514)	—	(247)	—	(1 761)	—	—	(1 761)
(1 372)	—	—	—	(1 372)	—	—	(1 372)
3 271	—	—	—	3 271	—	—	3 271
—	(1 002)	—	—	(1 002)	—	—	(1 002)
—	—	9 440	—	9 440	—	—	9 440
—	—	—	51	51	—	—	51
385	**(1 002)**	**9 193**	**57 873**	**66 449**	**—**	**864**	**67 313**
—	—	—	(1 599)	(1 599)	—	—	(1 599)
—	—	—	(5 354)	(5 354)	—	—	(5 354)
—	—	—	—	150 000	—	—	150 000
—	—	—	(35 000)	(35 000)	—	—	(35 000)
—	—	—	(16 875)	(16 875)	16 875	—	—
—	—	—	—	—	(16 875)	—	(16 875)
—	—	—	9 612	—	—	—	—
—	—	—	(972)	(972)	—	10 431	9 459
2 469	**(1 356)**	**(12 184)**	**455 609**	**2 077 803**	**250 000**	**3 369**	**2 331 172**
—	—	—	63 809	63 809	—	(861)	62 948
(19)	—	399	—	380	—	—	380
821	—	—	—	821	—	—	821
(228)	—	—	—	(228)	—	—	(228)
—	(3 771)	—	—	(3 771)	—	—	(3 771)
—	—	62	—	62	—	—	62
—	—	—	(39)	(39)	—	—	(39)
574	**(3 771)**	**461**	**63 770**	**61 034**	**—**	**(861)**	**60 173**
—	—	—	107	107	—	—	107
—	—	—	3 729	3 729	—	—	3 729
—	—	—	—	—	—	—	—
—	—	—	(11 000)	(11 000)	—	—	(11 000)
—	—	—	(16 875)	(16 875)	16 875	—	—
—	—	—	—	—	(16 875)	—	(16 875)
—	980	—	(980)	—	—	—	—
—	—	—	(268)	(268)	—	(2 118)	(2 386)
3 043	**(4 147)**	**(11 723)**	**494 092**	**2 114 530**	**250 000**	**390**	**2 364 920**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

£'000	Ordinary share capital	Share premium	Capital reserve account
Company			
At 1 April 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Total comprehensive income for the year	**—**	**—**	**—**
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	93 750	56 250	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from capital reserve	—	—	(9 612)
At 31 March 2020	**1 280 550**	**199 538**	**153 177**
Movement in reserves 1 April 2020 – 31 March 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Total comprehensive income for the year	**—**	**—**	**—**
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	—	—	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
At 31 March 2021	**1 280 550**	**199 538**	**153 177**

STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves						
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	**Total equity**
2 012	**(4 539)**	**(21 377)**	**114 212**	**1 583 185**	**250 000**	**1 833 185**
—	—	—	24 103	24 103	—	24 103
(887)	—	(247)	—	(1 134)	—	(1 134)
(1 372)	—	—	—	(1 372)	—	(1 372)
2 160	—	—	—	2 160	—	2 160
—	192	—	—	192	—	192
—	—	9 440	—	9 440	—	9 440
(99)	**192**	**9 193**	**24 103**	**33 389**	**—**	**33 389**
	—	—	(1 597)	(1 597)	—	(1 597)
—	—	—	(3 987)	(3 987)	—	(3 987)
—	—	—	—	150 000	—	150 000
—	—	—	(35 000)	(35 000)	—	(35 000)
—	—	—	(16 875)	(16 875)	16 875	—
—	—	—	—	—	(16 875)	(16 875)
—	—	—	9 612	—	—	—
1 913	**(4 347)**	**(12 184)**	**90 468**	**1 709 115**	**250 000**	**1 959 115**
—	—	—	70 216	70 216	—	70 216
(19)		399	—	380	—	380
818	—	—	—	818	—	818
777	—	—	—	777	—	777
—	(334)	—	—	(334)	—	(334)
—	—	62	—	62	—	62
1 576	**(334)**	**461**	**70 216**	**71 919**	**—**	**71 919**
—	—	—	107	107	—	107
—	—	—	2 689	2 689	—	2 689
—	—	—	—	—	—	—
—	—	—	(11 000)	(11 000)	—	(11 000)
—	—	—	(16 875)	(16 875)	16 875	—
—	—	—	—	—	(16 875)	(16 875)
3 489	**(4 681)**	**(11 723)**	**135 605**	**1 755 955**	**250 000**	**2 005 955**

ACCOUNTING POLICIES

Basis of presentation
These group and company annual financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (IFRS) as adopted from time to time by the European Commission in accordance with Regulation (EC) No 1606/2002 as it applies in the European Union (EU). At 31 March 2021, IFRS endorsed are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group and company annual financial statements have been prepared on a historical cost basis, except for debt instruments at FVOCI, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting.

As stated on page 143, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The accounting policies adopted by the group are consistent with the prior year except as noted below.

There is a global initiative to replace or reform inter-bank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative risk-free rates (RFR) in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The group has early adopted the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

As indicated in the hedge accounting policy, the group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the group may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the group reasonably expects the RFR to become separately identifiable within 24 months.

The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective other than IBOR reform Phase 2.

Presentation of information
Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 44 to 107.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 148 to 166.

Basis of consolidation
All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between the group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments, for example, in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings and joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings are

ACCOUNTING POLICIES
CONTINUED

included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associated undertakings and joint venture holdings.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

Investments in subsidiaries and interests in associated undertakings and joint venture holdings are carried at their cost less any accumulated impairment in the company financial statements.

All intergroup balances, transactions and unrealised gains or losses within the group that do not reflect an impairment to the asset are eliminated in full regarding subsidiaries and to the extent of the interest in associated undertakings and joint venture holdings.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, where operating results are reviewed regularly by chief operating decision-makers who are considered to be executive members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely, Wealth & Investment, Private Banking, Corporate, Investment Banking, and Other.

For further detail on the group's segmental basis, refer to the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees. These are the shares of the company's parent, Investec plc, and are accounted for as equity-settled share-based payments as at Investec plc level but, in accordance with IFRS 2, as cash-settled share-based payment transactions by subsidiaries of Investec plc.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met, with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

ACCOUNTING POLICIES
CONTINUED

Employee benefits
The group operates various defined contribution schemes.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The long-term employment benefits liability relates to the obligation of the Investec group to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

The group has no liabilities for other post-retirement benefits.

Foreign currency transactions and foreign operations
The presentation currency of the group is Pound Sterling, being the functional currency of Investec Bank plc.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control or disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition
Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management, share of post-taxation profit of associates and joint venture holdings and other trading activities and other operating income.

Interest income on debt instruments at amortised cost or fair value through OCI is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments' yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established and the cash is received.

Included in other operating income is incidental rental income, gains on realisation of properties, operating lease income, income from interests in associated undertakings and revenue from other investments. Operating costs associated with these investments are included in operating costs in the income statement.

ACCOUNTING POLICIES
CONTINUED

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments
Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment
For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- Elect to present subsequent changes in fair value of an equity investment that is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI;
- A debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

ACCOUNTING POLICIES
CONTINUED

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI
At each balance sheet date, each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Stage 1
Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL. In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of the total amount due. Should the expected recoverability of the loan remain the same, 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 group's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

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

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. There is a common definition across the bank's 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 subinvestment grade and the equivalent rating has moved by more than three notches.

The group adopts the view that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

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

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

The group calculates the credit adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

Definition of default
The group 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.

ACCOUNTING POLICIES
CONTINUED

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should 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.

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 assessed on a case-by-case basis with considerations to indicators such as whether the exposure has been restructured or the given financial position of the borrower and guarantors. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Process to determine ECL

ECLs are calculated using three main components:

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

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

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

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

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

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

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

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Changes in own credit risk on financial liabilities designated at fair value are recognised in other comprehensive income. Any other changes are recognised in the income statement.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to, or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

ACCOUNTING POLICIES
CONTINUED

Day-one profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower. Where such modifications are solely due to IBOR reform and result in an interest rate which is economically equivalent, they are treated as a change to the floating rate of interest and so do not result in any adjustment to the carrying value of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments
Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments
All derivative instruments of the group are recorded on the balance sheet at fair value positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting
When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or hedge accounting of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- The effectiveness of the hedge can be reliably measured,i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-fair value, and notional and timing differences between the zero hedged items and hedging instruments.

The group applied the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative RFR. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the

ACCOUNTING POLICIES
CONTINUED

timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the group is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

The group has adopted early IBOR reform Phase 2 for this year. IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend the hedge designations and hedge documentation and are set out above.

Refer to page 95 for more detail on the impact of IBOR reform.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments
Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Bank plc are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec Bank plc shareholders.

Sale and repurchase agreements (including securities borrowing and lending)
Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on-balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

Where sovereign debt securities have been purchased at the same time as derivatives with the same counterparty, such that the combined position has the economic substance similar to secured lending an asset is recognised under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees
Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the expected credit loss. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

• Computer and related equipment	20% to 33%
• Motor vehicles	20% to 25%
• Furniture and fittings	10% to 20%
• Freehold buildings	2%
• Right of use assets*	
• Leasehold property and improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.

ACCOUNTING POLICIES
CONTINUED

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Leases
At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset.

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease, or, where that is not available, at the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities.

Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Trading properties
Trading properties are carried at the lower of cost and net realisable value.

Software and intangible assets
Software and intangible assets are recorded at cost less accumulated amortisation and impairments. Software and intangible assets with a finite life are amortised over the useful economic life on a straight-line basis. Amortisation of each asset starts when it becomes available for use. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

The current and comparative annual amortisation rates for each class of intangible assets are as follows:

- Client relationships 12 to 20 years
- Acquired software 3 to 7 years

Impairment of non-financial assets
At each balance sheet date, the group reviews the carrying value of non-financial assets. The recoverable amount, being the higher of fair value less cost of disposal and value-in-use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities
The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of third party assets under management.

ACCOUNTING POLICIES
CONTINUED

Taxation and deferred taxation
Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- Temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs
Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective
The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

IFRS 17 is effective from 1 January 2023 and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions
In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on pages 79 to 81 in section 3, pages 143 to 145 of section 3 and throughout section 5 of the annual financial statements
- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications
- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15.

  Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on page 83.
- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs, including our assessment of the impact of COVID-19, can be found on pages 79 to 81.

ACCOUNTING POLICIES
CONTINUED

- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:
  - The assessment of a significant increase in credit risk;
  - A range of forward-looking probability weighted macro-economic scenarios; and
  - Estimations of probabilities of default, loss given default and exposures at default using models.

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

  Following a detailed review of the outcome of the ECL models, management raised an additional overlay provision in the UK. Detail of the approach followed and management's assumptions are set out on page 79 of section 3.
- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

In making any estimates, management's judgement has been based on various factors, including:

  - The current status of tax audits and enquiries;
  - The current status of discussions and negotiations with the relevant tax authorities;
  - The results of any previous claims; and
  - Any changes to the relevant tax environments.

- As explained in the hedge accounting policy, the group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the group first applies the practical expedient as described in the hedge accounting policy, to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate
- The group's effective interest method, as explained in the hedge accounting policy, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to the base rate and other fee income/expense that are integral parts of the instrument. The group has early adopted IBOR reform Phase 2 which requires as a practical expedient for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform, to be treated as a change to a floating rate of interest provided the transition from IBOR to RFR takes place on a basis that is economically equivalent. For changes that are not required by IBOR reform, the group applies judgement to determine whether they result in the financial instrument being derecognised or adjust its carrying value as described in the hedge accounting policy. Therefore, as financial instruments transition from IBOR to RFRs, the group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors
- The group has designated micro hedge relationships as fair value hedges. The group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The group has adopted early IBOR reform Phase 2, which provides temporary reliefs to enable the group's hedge accounting to continue upon the replacement of an IBOR with an RFR. Under one of the reliefs, the group may elect for individual RFRs designated as hedging the fair value of the hedged item for changes due to a non-contractually specified component of interest rate risk, to be deemed as meeting the IAS 39 requirement to be separately identifiable. For each RFR to which the relief has been applied, the group judges that both the volume and market liquidity of financial instruments that reference the RFR and are priced using the RFR will increase during the 24-month period with the result that the hedged RFR risk component will become separately identifiable in the change in fair value of the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental business analysis – income statement

For the year to 31 March 2021 £'000	Private Client	Specialist Banking		
	Wealth & Investment	Private Banking^	Corporate, Investment Banking and Other^	Total group
Net interest income	2 296	34 664	377 131	414 091
Fee and commission income	316 813	705	182 153	499 671
Fee and commission expense	(773)	(61)	(12 367)	(13 201)
Investment income	272	19	23 529	23 820
Share of post-taxation profit of associates and joint venture holdings	—	—	1 768	1 768
Trading income/(loss) arising from				
– customer flow	920	1 196	(13 141)	(11 025)
– balance sheet management and other trading activities	(9)	13	11 202	11 206
Other operating income	—	—	10 002	10 002
Total operating income before expected credit loss impairment charges	**319 519**	**36 536**	**580 277**	**936 332**
Expected credit loss impairment charges	(4)	(1 515)	(69 615)	(71 134)
Operating income	**319 515**	**35 021**	**510 662**	**865 198**
Operating costs	(245 175)	(38 033)	(474 550)	(757 758)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**74 340**	**(3 012)**	**36 112**	**107 440**
Loss attributable to other non-controlling interests	—	—	861	861
Adjusted operating profit/(loss) after non-controlling interests	**74 340**	**(3 012)**	**36 973**	**108 301**
Selected returns and key statistics				
Cost to income ratio	76.7%	104.1%	81.7%	80.9%
Total assets (£'mn)	1 016	3 338	20 042	24 396

^ In terms of IFRS 8 Operating segments, the below operating segments were changed after management concluded that key operating decision-makers of the Investec group review the operating results as follows:

- Investec Private Banking
- Investec Corporate, Investment Banking and Other
- Investec Wealth & Investment.

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as separate segments for the first time in 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. Segmental business analysis – income statement (continued)

For the year to 31 March 2020^	Private Client		Specialist Banking	
£'000	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Total group
Net interest income	12 604	23 441	373 504	409 549
Fee and commission income	305 090	341	190 358	495 789
Fee and commission expense	(678)	(8)	(13 080)	(13 766)
Investment income	(436)	—	7 027	6 591
Share of post-taxation profit of associates and joint venture holdings	—	—	2 128	2 128
Trading income/(loss) arising from				
– customer flow	862	1 433	48 685	50 980
– balance sheet management and other trading activities	108	1	(637)	(528)
Other operating income	181	—	6 283	6 464
Total operating income before expected credit loss impairment charges	**317 731**	**25 208**	**614 268**	**957 207**
Expected credit loss impairment release/(charges)	1	(643)	(75 064)	(75 706)
Operating income	**317 732**	**24 565**	**539 204**	**881 501**
Operating costs	(254 714)	(43 482)	(408 837)	(707 033)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**63 018**	**(18 917)**	**130 367**	**174 468**
Profit attributable to other non-controlling interests	—	—	(864)	(864)
Adjusted operating profit/(loss) after non-controlling interests	**63 018**	**(18 917)**	**129 503**	**173 604**
Selected returns and key statistics				
Cost to income ratio	80.2%	172.5%	66.7%	73.9%
Total assets (£'mn)	1 013	2 432	21 126	24 571

^ Restated as detailed in note 57.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Net interest income

For the year to 31 March £'000	Notes	2021 Average balance sheet value*	2021 Interest income	2021 Average yield	2020 Average balance sheet value*	2020 Interest income	2020 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	7 709 727	27 778	0.36%	7 225 467	73 872	1.02%
Loans and advances	2	12 142 660	578 446	4.76%	10 955 366	587 379	5.36%
Private client		2 873 101	84 191	2.93%	2 088 825	67 439	3.23%
Corporate, institutional and other clients		9 269 559	494 255	5.33%	8 866 541	519 940	5.86%
Other debt securities and other loans and advances		912 818	34 207	3.75%	777 592	31 025	3.99%
Other#	3	287 831	61 695	n/a	323 948	92 145	n/a
		21 053 036	**702 126**		**19 282 373**	**784 421**	

For the year to 31 March £'000	Notes	2021 Average balance sheet value*	2021 Interest expense	2021 Average yield	2020 Average balance sheet value*	2020 Interest expense	2020 Average yield
Deposits by banks and other debt-related securities	4	2 794 305	27 636	0.99%	3 455 942	43 609	1.26%
Customer accounts (deposits)		16 218 480	131 227	0.81%	13 907 304	184 742	1.33%
Subordinated liabilities		789 555	48 145	6.10%	807 843	48 319	5.98%
Other#	5	436 350	81 027	n/a	481 381	98 202	n/a
		20 238 690	**288 035**		**18 652 470**	**374 872**	
Net interest income			**414 091**			**409 549**	
Net interest margin			**1.97%**			**2.12%**	

Notes:
1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers.
3 Comprises (as per the balance sheet) lease receivables (housed in other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.
* We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full year) or seven point (half year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been 1.99% (March 2020: 2.09%).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. Net fee and commission income

For the year to 31 March £'000	2021	2020
Wealth & Investment businesses net fee and commission income	**316 040**	**304 412**
Fund management fees/fees for assets under management	267 381	261 093
Private client transactional fees	49 432	43 997
Fee and commission expense	(773)	(678)
Specialist Banking net fee and commission income	**170 430**	**177 611**
Specialist Banking fee and commission income	182 858	190 699
Specialist Banking fee and commission expense	(12 428)	(13 088)
Net fee and commission income	**486 470**	**482 023**
Annuity fees (net of fees payable)	284 109	280 037
Deal fees	202 361	201 986

4. Investment income

For the year to 31 March £'000	2021	2020
Realised	37 878	67 378
Unrealised*	(20 288)	(66 440)
Dividend income	3 927	2 899
Funding and other net related income	2 303	2 754
	23 820	**6 591**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2021								
Realised	9 363	971	13	10 347	6 121	(1 755)	23 165	37 878
Unrealised*	6 449	8 229	(35)	14 643	(2 967)	(3 141)	(28 823)	(20 288)
Dividend income	21	3 906	—	3 927	—	—	—	3 927
Funding and other net related income	—	—	—	—	—	2 303	—	2 303
	15 833	**13 106**	**(22)**	**28 917**	**3 154**	**(2 593)**	**(5 658)**	**23 820**
2020								
Realised	(765)	51 038	15 558	65 831	4 274	(3 616)	889	67 378
Unrealised*	(9 571)	(39 600)	(7 329)	(56 500)	(3 743)	1 814	(8 011)	(66 440)
Dividend income	7	2 892	—	2 899	—	—	—	2 899
Funding and other net related income	—	—	—	—	—	2 754	—	2 754
	(10 329)	**14 330**	**8 229**	**12 230**	**531**	**952**	**(7 122)**	**6 591**

* In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Other operating income

For the year to 31 March £'000	2021	2020
Rental income from properties	—	1 193
Losses on realisation of properties	(73)	(18)
Unrealised gains/(losses) on other investments	1 612	(17)
Income from operating leases	4 245	2 046
Income from government grants*	4 218	3 260
	10 002	**6 464**

* Government grants income includes Research and Development Expenditure Credits and income from the Capability and Innovation Fund from the Banking Competition Remedies Limited.

6. Expected credit loss impairment charges or (release)

For the year to 31 March £'000	2021	2020
Expected credit losses have arisen on the following items:		
Loans and advances to customers	65 270	73 487
Other loans and advances	(80)	25
Other balance sheet assets	604	442
Off-balance sheet commitments and guarantees	5 340	1 752
	71 134	**75 706**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Operating costs

For the year to 31 March £'000	2021	2020
Staff compensation costs	565 545	498 414
Salaries and wages (including directors' remuneration)**	468 964	398 353
Share-based payment expense	22 777	26 854
Social security costs	44 812	44 981
Pensions and provident fund contributions	28 992	28 226
Training and other costs	3 857	10 615
Staff costs	569 402	509 029
Premises expenses	41 060	39 886
Premises expenses (excluding depreciation)	17 665	15 936
Premises depreciation	23 395	23 950
Equipment expenses (excluding depreciation)	49 305	47 840
Business expenses*	79 324	81 384
Marketing expenses	8 639	17 766
Depreciation, amortisation and impairment of equipment, software and intangibles^	10 028	11 128
	757 758	**707 033**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:		
Ernst & Young fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**5 781**	**5 462**
Audit of the group's accounts	2 619	2 574
Audit of the group's subsidiaries pursuant to legislation	2 450	2 226
Audit related assurance services	712	662
Total fees paid to the audit firm not in the capacity of being the group's auditor	**379**	**286**
Audit related assurance services	244	43
Tax compliance services	5	125
Services related to corporate finance transactions	—	18
Services related to information technology	—	100
Other non-audit services	130	—
	6 160	**5 748**
KPMG fees* **		
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	**—**	**429**
Audit of the group's subsidiaries pursuant to legislation	—	227
Audit related assurance services	—	202
Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor	**—**	**247**
Tax compliance services	—	109
Tax advisory services	—	65
Other non-audit services	—	73
	—	**676**
Total	**6 160**	**6 424**

^ Restated as detailed in note 57.
* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
** Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 148 to 166.
*** During the current year, KPMG LLP were replaced as auditors of Investec Wealth and Investment Limited and Ernst & Young LLP were formally appointed as the auditor. As a consequence of this, non-audit services that they provided to Investec Bank plc are not disclosed here but are included in the Investec group's integrated annual report where they remain a group auditor..

During the year, the average number of staff employed was 3 723 (2020: 4 021).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments

The Investec group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis in Investec plc but in accordance with IFRS 2 are cash-settled in the company as set out in the accounting policies on pages 188 to 198. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans are provided on our website.

For the year to 31 March £'000	2021	2020
Share-based payment expense:		
Cash-settled (equity-settled at group)	**22 777**	**27 080**

Group

For the year to 31 March £'000	2021	2020
Weighted average fair value of awards granted in the year		
UK schemes	**9 627**	**23 621**

	2021		2020	
Details of awards outstanding during the year	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	17 751 435	0.02	19 187 737	0.05
Granted during the year	6 552 280	0.00	5 219 646	0.00
Exercised during the year^	(4 902 226)	0.00	(5 135 486)	0.00
Awards forfeited during the year	(985 298)	0.21	(1 520 462)	0.35
Outstanding at the end of the year	**18 416 191**	**0.01**	**17 751 435**	**0.02**
Exercisable at the end of the year	**396 484**	**—**	**463 457**	**—**

^ The weighted average share price during the year was £1.73 (2020: £4.41).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments (continued)

Additional information relating to awards:	2021	2020
Options with strike prices		
Exercise price range	£3.58 - £4.18	£3.58 - £4.27
Weighted average remaining contractual life	0.71 years	0.98 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.93 years	2.12 years
Weighted average fair value of awards and long-term grants at measurement date	£1.47	£3.91
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£1.56 - £1.93	£4.38 - £4.79
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	0.50 - 7 years	4 - 7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

In the prior year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to the Investec group Australian staff in lieu of Ninety One plc shares.

Company

For the year to 31 March £'000	2021	2020
UK schemes	**6 771**	**14 197**

	2021		2020	
Details of awards outstanding during the year	**Number of share awards**	**Weighted average exercise price £**	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	10 421 333	0.00	11 642 145	0.00
Granted during the year	4 558 796	0.00	2 506 726	0.00
Exercised during the year^	(2 642 459)	0.00	(2 920 946)	0.00
Awards forfeited during the year	(780 913)	0.01	(806 592)	0.00
Outstanding at the end of the year	**11 556 757**	**0.00**	**10 421 333**	**0.00**
Exercisable at the end of the year	**137 902**	**—**	**276 694**	**—**

^ The weighted average share price during the year was £1.73 (2020: £4.41).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments (continued)

Additional information relating to awards:	2021	2020
Company		
Options with strike prices		
Exercise price range	n/a	£4.27
Weighted average remaining contractual life	n/a	0.17 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.04 years	2.08 years
Weighted average fair value of awards and long-term grants at measurement date	£1.48	£4.50
The fair values of awards granted were calculated using a Black-Scholes option pricing model. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£1.56 - £1.93	£4.38 - £4.79
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	0.50 - 7 years	4 - 7 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

9. Long-term employment benefits

As part of the Investec Asset Management Limited (IAM) demerger, each participant of the Investec group share option and long-term share incentive plans for employees, received the right to receive one Ninety One plc share award for every two Investec plc share awards they held. The Ninety One plc share awards were granted on the same terms and vesting period as the Investec plc awards they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £5 354 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2021 was £6.6 million (31 March 2020: £0.2 million).

	2021		2020	
Details of awards outstanding during the year	Number of Ninety One awards	Weighted average exercise price £	Number of Ninety One awards	Weighted average exercise price £
IAM demerger Ninety One share awards issued 16 March 2020	7 625 659	0.00	8 169 283	0.00
Transfer of employees during the year	1 863	0.00	(319 953)	0.00
Exercised during the year	(1 719 729)	0.00	(203 493)	0.00
Awards forfeited during the year	(307 722)	0.26	(20 178)	0.00
Outstanding at the end of the year	**5 600 071**	**0.01**	**7 625 659**	**0.00**
Exercisable at the end of the year	**197 285**	**—**	**210 149**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Long-term employment benefits (continued)

For the liability calculated, the inputs into the model were as follows:

Additional information relating to awards:	2021	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Share price at date of grant	£2.39	£1.54
– Exercise price	Nil, £2.90 - £3.39	Nil, £3.46
– Expected volatility	35.4%	56.8%
– Award life	0 - 5.42 years	0.12 - 6.45 years
– Expected dividend yields	0% - 4.66%	0% - 7.46%
– Risk-free rate	0% - 0.73%	0.30% - 0.66%

In the prior year, management concluded that the share price used to calculate the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

Company

As part of the Investec Asset Management Limited (IAM) demerger, each participant of the Investec group share option and long-term share incentive plans for employees, received the right to received one Ninety One plc share award for every two Investec plc share awards they held. The Ninety One plc share awards were granted on the same terms and vesting period as the Investec plc awards they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £3 987 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2021 was £4.4 million (31 March 2020: £0.2 million).

	2021		2020	
Details of awards outstanding during the year	Number of Ninety One awards	Weighted average exercise price £	Number of Ninety One awards	Weighted average exercise price £
IAM demerger Ninety One share awards issued 16 March 2020	5 208 521	0.00	5 628 435	0.00
Transfer of employees during the year	(13 507)	0.00	(252 342)	0.00
Exercised during the year^	(1 210 348)	0.00	(149 206)	0.00
Awards forfeited during the year	(245 164)	0.01	(18 366)	0.00
Outstanding at the end of the year	**3 739 502**	**0.00**	**5 208 521**	**0.00**
Exercisable at the end of the year	**109 955**	**—**	**136 039**	**—**

For the liability calculated, the inputs into the model were as follows:

Additional information relating to awards:	2021	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Share price at date of grant	£2.39	£1.54
– Exercise price	£nil	£nil, £3.46
– Expected volatility	35.4%	56.8%
– Award life	0 - 5.42 years	0.12 - 6.45 years
– Expected dividend yields	0% - 4.63%	0% - 7.46%
– Risk-free rate	0% - 0.73%	0.30% - 0.66%

In the prior year, management concluded that the share price used to calculated the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation

For the year to 31 March £'000	2021	2020
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	11 290	(6 535)
Adjustments in respect of prior years	(390)	(2 413)
Corporation tax before double tax relief	**10 900**	**(8 948)**
Double tax relief	—	—
	10 900	**(8 948)**
Europe	1 152	2 387
Australia	74	208
Other	931	(311)
	2 157	**2 284**
Total current taxation	**13 057**	**(6 664)**
Deferred taxation		
UK	4 665	4 502
Europe	(116)	27
Australia	13 722	(13 244)
Other	(1 087)	2 091
Total deferred taxation	**17 184**	**(6 624)**
Total taxation charge for the year	**30 241**	**(13 288)**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	31 270	7 638
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(1 029)	(20 926)
	30 241	**(13 288)**
Deferred taxation comprises:		
Origination and reversal of temporary differences	16 174	(8 268)
Changes in taxation rates	154	1 285
Adjustment in respect of prior years	856	359
	17 184	**(6 624)**
The deferred taxation charge/(credit) in the income statement arose from:		
Deferred capital allowances	(2 862)	(1 865)
Income and expenditure accruals	15 899	(6 035)
(Liability)/asset in respect of unexpired options	(2 233)	8 173
Unrealised fair value adjustment on financial instruments	620	782
Losses carried forward	5 925	(6 414)
Liability in respect of pension surplus	—	(33)
Deferred tax on acquired intangibles	(2 379)	(947)
Other temporary differences	2 214	(285)
	17 184	**(6 624)**
The deferred taxation charge/(credit) in OCI/equity arose from:		
(Liability)/asset in respect of unexpired options	(107)	739
Unrealised fair value adjustment on financial instruments	3 243	8 619
	3 136	**9 358**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation (continued)

For the year to 31 March £'000	2021	2020
The rates of corporation tax for the relevant years are:	**%**	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**93 189**	**45 398**
Taxation on profit before taxation	**30 241**	**(13 288)**
Effective tax rate	**32.5%**	**(29.3%)**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2020: 19%)	17 706	8 626
Taxation adjustments relating to foreign earnings	2 982	295
Taxation relating to prior years	466	(2 054)
Goodwill and non-operating items	1 695	2 116
Share options accounting expense	(188)	6 010
Non-taxable income	(4 616)	(1 204)
Net other permanent differences	281	(13 597)
Capital gains – non-taxable/covered by losses	(1 907)	(2 323)
Movement in unrecognised trading losses	13 668	(12 442)
Change in tax rate	154	1 285
Total taxation charge as per income statement	**30 241**	**(13 288)**
Other comprehensive income taxation effects		
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement	821	(1 372)
Pre-taxation	1 013	(1 694)
Taxation effect	(192)	322
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(228)	3 271
Pre-taxation	(93)	3 604
Taxation effect	(135)	(333)
Own credit risk	62	9 440
Pre-taxation	417	12 460
Taxation effect	(355)	(3 020)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 875)	(16 875)
Pre-taxation	(16 875)	(16 875)
Taxation effect	—	—
Share-based payment adjustment	107	(317)
Pre-taxation	—	—
Taxation effect	107	(317)
IFRS 9 transitional adjustments	380	(1 761)
Pre-taxation	—	—
Taxation effect	380	(1 761)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

11. Dividends

For the year to 31 March £'000	2021	2020
Ordinary dividends		
Interim dividends for current year	11 000	35 000
Total dividends attributable to ordinary shareholder	**11 000**	**35 000**

For the year to 31 March £'000	2021	2020
Dividend attributable to Additional Tier 1 securities	**16 875**	**16 875**

The £200 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities), issued on 16 October 2018, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 December 2018.

A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 000 000 2024 notes issued on 16 October 2018.

12. Financial impact of strategic actions

For the year to 31 March £'000	2021	2020
Closure and rundown of the Hong Kong direct investments business*	7 387	(89 257)
Financial impact of group restructures	—	(26 898)
Closure of Click & Invest	—	(4 309)
Sale of the Irish Wealth & Investment business	—	18 662
Restructure of the Irish branch	—	(41 110)
Other	—	(141)
Financial impact of strategic actions	**7 387**	**(116 155)**
Taxation on financial impact of strategic actions	(1 390)	19 856
Net financial impact of strategic actions	**5 997**	**(96 299)**

* Included within the balance are fair value gains of £10.3 million (31 March 2020: fair value losses of £83.2 million).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of income and impairments by category of financial instrument

For the year to 31 March £'000	At fair value through profit or loss		
	IFRS 9 mandatory		
	Trading**	Non-trading**	Designated at inception
2021			
Net interest income	(25 802)	61 871	(29 964)
Fee and commission income	17 766	3 162	—
Fee and commission expense	—	—	—
Investment income	(22)	8 767	1 977
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from:			
– customer flow	31 165	(7 025)	(35 165)
– balance sheet management and other trading activities	2 097	(3 951)	8 012
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**25 204**	**62 824**	**(55 140)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**25 204**	**62 824**	**(55 140)**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception
2020			
Net interest income	(12 212)	68 162	(30 063)
Fee and commission income	19 207	5 190	—
Fee and commission expense	—	—	—
Investment income	8 229	(564)	789
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from:			
– customer flow	47 492	6 692	(3 204)
– balance sheet management and other trading activities	(8 653)	3 051	12 097
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**54 063**	**82 531**	**(20 381)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**54 063**	**82 531**	**(20 381)**

* Includes off-balance sheet items.
** Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income				
Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income	**Total**
28 312	380 161	2 170	(2 657)	414 091
—	66 675	—	412 068	499 671
—	(2 034)	—	(11 167)	(13 201)
(1 012)	2 507	11 603	—	23 820
—	—	1 768	—	1 768
—	—	—	—	(11 025)
—	5 048	—	—	11 206
—	4 246	(3)	5 759	10 002
27 300	**456 603**	**15 538**	**404 003**	**936 332**
—	(71 134)	—	—	(71 134)
27 300	**385 469**	**15 538**	**404 003**	**865 198**

Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income	**Total**
35 481	341 384	800	5 997	409 549
—	103 481	—	367 911	495 789
—	(2 423)	—	(11 343)	(13 766)
1 809	807	(4 479)	—	6 591
—	—	2 128	—	2 128
—	—	—	—	50 980
—	(7 023)	—	—	(528)
—	2 046	1 175	3 243	6 464
37 290	**438 272**	**(376)**	**365 808**	**957 207**
—	(75 706)	—	—	(75 706)
37 290	**362 566**	**(376)**	**365 808**	**881 501**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss IFRS 9 mandatory Trading*	Non–trading*	Designated at initial recognition
Group			
2021			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	38 690	517 037	119 714
Sovereign debt securities	—	36 675	—
Bank debt securities	—	—	—
Other debt securities	—	203 338	—
Derivative financial instruments**	773 334	—	—
Securities arising from trading activities	253 932	5 160	22 553
Investment portfolio	—	350 941	—
Loans and advances to customers	—	511 604	—
Other loans and advances	—	—	—
Other securitised assets	—	—	107 259
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	6 857	—	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	
	1 072 813	**1 624 755**	**249 526**
Liabilities			
Deposits by banks	—	—	294
Derivative financial instruments**	916 352	—	—
Other trading liabilities	49 055	—	—
Repurchase agreements and cash collateral on securities lent	—	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	118 690
Liabilities arising on securitisation of other assets	—	—	108 281
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	965 407	**—**	**227 265**
Subordinated liabilities	—	—	334 804
	965 407	**—**	**562 069**

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

** Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

For more information on hedges, please refer to note 49 on pages 273 to 276.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income				
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
—	—	3 043 034	—	3 043 034
—	—	1 383 602	—	1 383 602
—	675 441	1 389 791	—	2 065 232
1 071 578	1 108 253	—	—	1 108 253
43 781	43 781	4 263	—	48 044
—	203 338	505 507	—	708 845
—	773 334	—	—	773 334
—	281 645	—	—	281 645
—	350 941	—	—	350 941
534 059	1 045 663	11 270 650	—	12 316 313
—	—	162 456	—	162 456
—	107 259	—	—	107 259
—	—	—	4 213	4 213
—	—	—	109 849	109 849
—	—	—	42 620	42 620
—	6 857	951 818	437 240	1 395 915
—	—	—	185 502	185 502
—	—	—	244 072	244 072
—	—	—	7 791	7 791
—	—	—	56 618	56 618
1 649 418	**4 596 512**	**18 711 121**	**1 087 905**	**24 395 538**
—	294	1 351 985	—	1 352 279
—	916 352	—	—	916 352
—	49 055	—	—	49 055
—	—	157 357	—	157 357
—	—	16 240 634	—	16 240 634
—	118 690	1 074 688	—	1 193 378
—	108 281	—	—	108 281
—	—	—	37 287	37 287
—	—	—	20 652	20 652
—	—	612 006	571 856	1 183 862
—	**1 192 672**	**19 436 670**	**629 795**	**21 259 137**
—	334 804	436 677	—	771 481
—	**1 527 476**	**19 873 347**	**629 795**	**22 030 618**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March £'000	Trading*	Non–trading*	Designated at initial recognition
Group			
2020^			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	255 412	550 927	109 434
Sovereign debt securities	—	—	—
Bank debt securities	—	51 238	—
Other debt securities	—	217 364	—
Derivative financial instruments**	1 250 994	—	—
Securities arising from trading activities	125 205	6 200	125 240
Investment portfolio	—	350 662	—
Loans and advances to customers	—	653 338	—
Other loans and advances	—	—	—
Other securitised assets	—	—	106 218
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	27 221	—	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
	1 658 832	**1 829 729**	**340 892**
Liabilities			
Deposits by banks	—	—	336
Derivative financial instruments**	1 147 525	—	—
Other trading liabilities	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	219 915
Liabilities arising on securitisation of other assets	—	—	110 679
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	1 287 776	**—**	**330 930**
Subordinated liabilities	—	—	343 233
	1 287 776	**—**	**674 163**

^ Restated as detailed in note 57.
* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.
** Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

For more information on hedges, please refer to note 49 on pages 273 to 276.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income				
Debt instrument with dual business model	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
—	—	2 277 318	—	2 277 318
—	—	1 793 867	—	1 793 867
—	915 773	1 543 049	—	2 458 822
1 084 958	1 084 958	—	—	1 084 958
—	51 238	—	—	51 238
—	217 364	478 454	—	695 818
—	1 250 994	—	—	1 250 994
—	256 645	—	—	256 645
—	350 662	—	—	350 662
421 841	1 075 179	10 759 028	—	11 834 207
—	—	266 501	—	266 501
—	106 218	—	—	106 218
—	—	—	6 579	6 579
—	—	—	129 715	129 715
—	—	—	4 603	4 603
—	27 221	885 036	545 299	1 457 556
—	—	—	216 955	216 955
—	—	—	252 958	252 958
—	—	—	6 955	6 955
—	—	—	68 386	68 386
1 506 799	**5 336 252**	**18 003 253**	**1 231 450**	**24 570 955**
—	336	1 450 127	—	1 450 463
—	1 147 525	—	—	1 147 525
—	118 572	—	—	118 572
—	21 679	375 132	—	396 811
—	—	15 505 883	—	15 505 883
—	219 915	806 559	—	1 026 474
—	110 679	—	—	110 679
—	—	—	43 470	43 470
—	—	—	22 112	22 112
—	—	1 039 298	591 466	1 630 764
—	**1 618 706**	**19 176 999**	**657 048**	**21 452 753**
—	343 233	443 797	—	787 030
—	**1 961 939**	**19 620 796**	**657 048**	**22 239 783**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March **£'000**	Trading*	Non–trading*	Designated at initial recognition
Company			
2021			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	38 690	517 037	119 714
Sovereign debt securities	—	36 675	—
Bank debt securities	—	—	—
Other debt securities	—	203 156	1 410
Derivative financial instruments**	742 869	—	—
Securities arising from trading activities	253 932	1 589	22 553
Investment portfolio	—	67 948	—
Loans and advances to customers	—	485 299	—
Other loans and advances	—	59 157	—
Other securitised assets	—	—	5 774
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	6 857	—	—
Property and equipment	—	—	—
Software	—	—	—
Investment in subsidiaries	—	—	
	1 042 348	**1 370 861**	**149 451**
Liabilities			
Deposits by banks		—	—
Derivative financial instruments**	885 793	—	—
Other trading liabilities	49 055	—	—
Repurchase agreements and cash collateral on securities lent	—	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	118 690
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	934 848	**—**	**118 690**
Subordinated liabilities	—	—	334 804
	934 848	**—**	**453 494**

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

** Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

For more information on hedges, please refer to note 49 on pages 273 to 276.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income				
Debt instrument with dual business model	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
—	—	2 993 119	—	2 993 119
—	—	454 596	—	454 596
—	675 441	1 389 791	—	2 065 232
505 341	542 016	—	—	542 016
43 781	43 781	—	—	43 781
—	204 566	1 197 141	—	1 401 707
—	742 869	—	—	742 869
—	278 074	—	—	278 074
—	67 948	—	—	67 948
534 059	1 019 358	8 340 732	—	9 360 090
—	59 157	2 754 572	—	2 813 729
—	5 774	—	—	5 774
—	—	—	584	584
—	—	—	70 858	70 858
—	—	—	39 236	39 236
—	6 857	632 593	62 901	702 351
—	—	—	84 837	84 837
—	—	—	545	545
—	—	—	845 839	845 839
1 083 181	**3 645 841**	**17 762 544**	**1 104 800**	**22 513 185**
—	—	1 451 745	—	1 451 745
—	885 793	—	—	885 793
—	49 055	—	—	49 055
—	—	157 357	—	157 357
—	—	15 493 774	—	15 493 774
—	118 690	1 044 360	—	1 163 050
—	—	—	140	140
—	—	—	6 288	6 288
—	—	375 345	153 202	528 547
—	**1 053 538**	**18 522 581**	**159 630**	**19 735 749**
—	334 804	436 677	—	771 481
—	**1 388 342**	**18 959 258**	**159 630**	**20 507 230**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March **£'000**	Trading*	Non–trading*	Designated at initial recognition
Company			
2020^			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	255 412	550 927	109 434
Sovereign debt securities	—	—	—
Bank debt securities	—	51 238	—
Other debt securities	—	217 364	1 404
Derivative financial instruments**	1 242 166	—	—
Securities arising from trading activities	125 205	—	125 240
Investment portfolio	—	61 075	—
Loans and advances to customers	—	600 055	—
Other loans and advances	—	71 807	—
Other securitised assets	—	—	6 137
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	27 221	—	—
Property and equipment	—	—	—
Software	—	—	—
Investment in subsidiaries	—	—	—
	1 650 004	**1 552 466**	**242 215**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments**	1 135 149	—	—
Other trading liabilities	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	219 915
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	1 275 400	**—**	**219 915**
Subordinated liabilities	—	—	343 233
	1 275 400	**—**	**563 148**

^ Restated as detailed in note 57.

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

** Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

For more information on hedges, please refer to note 49 on pages 273 to 276.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income				
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
—	—	2 235 286	—	2 235 286
—	—	988 928	—	988 928
—	915 773	1 543 049	—	2 458 822
540 554	540 554	—	—	540 554
—	51 238	—	—	51 238
—	218 768	958 296	—	1 177 064
—	1 242 166	—	—	1 242 166
—	250 445	—	—	250 445
—	61 075	—	—	61 075
421 841	1 021 896	7 835 298	—	8 857 194
—	71 807	2 677 844	—	2 749 651
—	6 137		—	6 137
—	—	—	645	645
—	—	—	82 714	82 714
—	—	—	1 257	1 257
—	27 221	605 485	71 917	704 623
—	—	—	99 383	99 383
—	—	—	1 056	1 056
—	—	—	858 286	858 286
962 395	**4 407 080**	**16 844 186**	**1 115 258**	**22 366 524**
—	—	1 537 317	—	1 537 317
—	1 135 149	—	—	1 135 149
—	118 572	—	—	118 572
—	21 679	375 132	—	396 811
—	—	14 559 110	—	14 559 110
—	219 915	762 053	—	981 968
—	—	—	15 453	15 453
—	—	—	6 774	6 774
—	—	742 456	126 769	869 225
—	**1 495 315**	**17 976 068**	**148 996**	**19 620 379**
—	343 233	443 797	—	787 030
—	**1 838 548**	**18 419 865**	**148 996**	**20 407 409**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

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

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

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

		Fair value category		
At 31 March £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Group				
2021				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	1 108 253	1 108 253	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	203 338	—	99 934	103 404
Derivative financial instruments	773 334	19	746 510	26 805
Securities arising from trading activities	281 645	275 526	959	5 160
Investment portfolio	350 941	9 149	4 841	336 951
Loans and advances to customers*	1 045 663	—	—	1 045 663
Other securitised assets	107 259	—	—	107 259
Other assets	6 857	6 857	—	—
	4 596 512	**1 443 585**	**1 527 685**	**1 625 242**
Liabilities				
Deposits by banks	294	—	—	294
Derivative financial instruments	916 352	—	888 612	27 740
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Liabilities arising on securitisation of other assets	108 281	—	—	108 281
Subordinated liabilities	334 804	334 804	—	—
	1 527 476	**373 203**	**1 017 958**	**136 315**
Net assets at fair value	**3 069 036**	**1 070 382**	**509 727**	**1 488 927**

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2020^				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	915 773	—	915 773	—
Sovereign debt securities	1 084 958	1 084 958	—	—
Bank debt securities	51 238	—	51 238	—
Other debt securities	217 364	—	74 369	142 995
Derivative financial instruments	1 250 994	—	1 221 349	29 645
Securities arising from trading activities	256 645	226 874	23 571	6 200
Investment portfolio	350 662	7 120	4 456	339 086
Loans and advances to customers*	1 075 179	—	7 803	1 067 376
Other securitised assets	106 218	—	—	106 218
Other assets	27 221	27 221	—	—
	5 336 252	**1 346 173**	**2 298 559**	**1 691 520**
Liabilities				
Deposits by banks	336	—	—	336
Derivative financial instruments	1 147 525	13 853	1 106 991	26 681
Other trading liabilities	118 572	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	21 679	—
Debt securities in issue	219 915	—	219 915	—
Liabilities arising on securitisation of other assets	110 679	—	—	110 679
Subordinated liabilities	343 233	343 233	—	—
	1 961 939	**475 658**	**1 348 585**	**137 696**
Net assets at fair value	**3 374 313**	**870 515**	**949 974**	**1 553 824**

^ Restated as detailed in note 57.

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

Transfers between level 1 and level 2
During the current and prior year, there were no transfers between level 1 and level 2.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Group					
Assets					
Balance as at 1 April 2019	**467 646**	**1 169 133**	**118 143**	**128 923**	**1 883 845**
Total gains or (losses)	(30 258)	33 246	(1 425)	25 725	27 288
In the income statement	(30 258)	32 768	(1 425)	25 725	26 810
In the statement of comprehensive income	—	478	—	—	478
Purchases	37 944	1 349 058	—	59 048	1 446 050
Sales	(132 642)	(1 039 464)	—	(1 082)	(1 173 188)
Settlements	(6 091)	(475 929)	(10 500)	(33 357)	(525 877)
Transfers into level 3	106	—	—	—	106
Transfers out of level 3	(4 785)	—	—	—	(4 785)
Foreign exchange adjustments	7 166	31 332	—	(417)	38 081
Balance as at 31 March 2020	**339 086**	**1 067 376**	**106 218**	**178 840**	**1 691 520**
Total gains or (losses)	1 809	21 988	8 732	11 787	44 316
In the income statement	1 809	24 180	8 732	11 787	46 508
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	49 701	945 556	—	9 054	1 004 311
Sales	(27 327)	(495 008)	—	(26 367)	(548 702)
Issues	—	—	—	37	37
Settlements	(17 617)	(447 858)	(7 691)	(29 409)	(502 575)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(8 701)	(54 193)	—	(13 606)	(76 500)
Balance as at 31 March 2021	**336 951**	**1 045 663**	**107 259**	**135 369**	**1 625 242**

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

For the year to 31 March 2021, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value. In the prior year, investment portfolio of £4.8 million was transferred from level 3 to level 1 due to the listing of two securities and investment portfolio of £0.1 million was transferred from level 2 to level 3 as the inputs were no longer based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Group			
Liabilities			
Balance as at 1 April 2019	**113 711**	**16 626**	**130 337**
Total (gains) or losses	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
Purchases	—	390	390
Issues	7 306	—	7 306
Settlements	(8 244)	(719)	(8 963)
Foreign exchange adjustments	—	379	379
Balance as at 31 March 2020	**110 679**	**27 017**	**137 696**
Total (gains) or losses	5 460	4 927	10 387
In the income statement	5 460	4 927	10 387
Settlements	(7 858)	(1 188)	(9 046)
Foreign exchange adjustments	—	(2 722)	(2 722)
Balance as at 31 March 2021	**108 281**	**28 034**	**136 315**

2. Comprises level 3 deposits by banks and derivative financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

For the year to 31 March £'000	Total	Realised	Unrealised
Group			
2021			
Total gains or (losses) included in the income statement for the year			
Net interest income	62 643	52 085	10 558
Investment income*	(24 133)	2 158	(26 291)
Trading income/(loss) arising from customer flow	(2 389)	428	(2 817)
	36 121	**54 671**	**(18 550)**
Total gains or (losses) included in other comprehensive income for the year			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 009)	(1 009)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 201)	**(1 009)**	**(2 192)**
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Fee and commission income	(3 184)	—	(3 184)
Investment income*	(53 944)	62 989	(116 933)
Trading income/(loss) arising from customer flow	(1 895)	—	(1 895)
	18 563	**123 911**	**(105 348)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	—	478
	2 172	**1 694**	**478**

* Included within the investment income statement balance are unrealised gains of £10.3 million (31 March 2020: unrealised losses of £75.8 million) presented within operational items in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2021 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

	VALUATION BASIS/TECHNIQUES	MAIN INPUTS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Discount rate and net assets
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

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

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Assets					
Other debt securities	103 404	Potential impact on income statement		3 790	(10 320)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	7	(7)
		Other	^	3 676	(10 115)
Derivative financial instruments	26 805	Potential impact on income statement		5 232	(6 226)
		Volatilities	5.4%-21.4%	51	(148)
		Cash flow adjustments	CPR 4.4%	9	(9)
		Underlying asset value	^^	4 724	(4 724)
		Other	^	448	(1 345)
Securities arising from trading activities	5 160	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	1 310	(1 685)
Investment portfolio	336 951	Potential impact on income statement		35 801	(98 411)
		Price earnings multiple	4.2x-9.0x	5 560	(13 330)
		Discount rate	17.5%	2 179	(3 959)
		Underlying asset value	^^	2 561	(5 967)
		Other	^	25 501	(75 155)
Loans and advances to customers	1 045 663	Potential impact on income statement		25 430	(43 612)
		Credit spreads	0.08%-37.3%	9 439	(14 745)
		Price earnings multiple	3.5x-4.1x	4 200	(2)
		Underlying asset value	^^	3 094	(8 932)
		Other	^	8 697	(19 933)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	107 259	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	1 554	(1 653)
Total level 3 assets	**1 625 242**			**78 707**	**(171 618)**
Liabilities					
Deposits by banks	294	Potential impact on income statement			
		Underlying asset value	^^	—	43
Derivative financial instruments	27 740	Potential impact on income statement		(4 749)	4 800
		Volatilities	5.4%-21.1%	(25)	76
		Underlying asset value	^^	(4 724)	4 724
Liabilities arising on securitisation of other assets*	108 281	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	(213)	240
Total level 3 liabilities	**136 315**			**(4 962)**	**5 083**
Net level 3 assets	**1 488 927**				

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 427	(12 439)
		Credit spreads	0.38% - 0.88%	23	(144)
		Cash flow adjustments	CPR 6.8%	9	(9)
		Discount rate	5.56%	7	(43)
		Underlying asset value	^^	454	(442)
		Other	^	3 934	(11 801)
Derivative financial instruments	29 645	Potential impact on income statement		8 232	(8 846)
		Volatilities	4.1% - 25.3%	94	(283)
		Cash flow adjustments	CPR 6.8%	33	(31)
		Underlying asset value	^^	7 891	(7 891)
		Other	^	214	(641)
Securities arising from trading activities	6 200	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	736	(870)
Investment portfolio	339 086	Potential impact on income statement		41 133	(101 468)
		Price earnings multiple	5.3x-9.7x	5 210	(12 742)
		Underlying asset value	^^	9 553	(8 695)
		Other	^	26 370	(80 031)
Loans and advances to customers	1 067 376	Potential impact on income statement		19 020	(51 451)
		Credit spreads	0.05%-5.9% & PAR	1 099	(7 041)
		Price earnings multiple	3.85x-7x	636	(466)
		Underlying asset value	^^	647	(352)
		Other	^	16 638	(43 592)
		Potential impact on other comprehensive income			
		Credit spreads	0.03%-5.8% & PAR	4 645	(724)
Other securitised assets	106 218	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	2 543	(2 530)
Total level 3 assets	**1 691 520**			**80 736**	**(178 328)**
Liabilities					
Deposits by banks	336	Potential impact on income statement			
		Underlying asset value	^^	—	48
Derivative financial instruments	26 681	Potential impact on income statement		(7 929)	7 937
		Cash flow adjustments	5.6%	(24)	4
		Volatilities	4.1%-25.3%	(14)	42
		Underlying asset value	^^	(7 891)	7 891
Liabilities arising on securitisation of other assets*	110 679	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	(546)	489
Total level 3 liabilities	**137 696**			**(8 475)**	**8 474**
Net level 3 assets	**1 553 824**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

Credit spreads

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

Discount rates

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

Volatilities

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

Cash flows

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

Price earnings multiple

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

Underlying asset value

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2021				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	542 016	542 016	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	204 566	—	99 752	104 814
Derivative financial instruments	742 869	19	737 558	5 292
Securities arising from trading activities	278 074	275 526	959	1 589
Investment portfolio	67 948	1 805	1 687	64 456
Loans and advances to customers*	1 019 358	—	—	1 019 358
Other loans and advances	59 157	—	—	59 157
Other securitised assets	5 774	—	—	5 774
Other assets	6 857	6 857	—	—
	3 645 841	**870 004**	**1 515 397**	**1 260 440**
Liabilities				
Derivative financial instruments	885 793	—	873 837	11 956
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Subordinated liabilities	334 804	334 804	—	—
	1 388 342	**373 203**	**1 003 183**	**11 956**
Net assets at fair value	**2 257 499**	**496 801**	**512 214**	**1 248 484**

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2020^				
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	915 773	—	915 773	—
Sovereign debt securities	540 554	540 554	—	—
Bank debt securities	51 238	—	51 238	—
Other debt securities	218 768	—	74 369	144 399
Derivative financial instruments	1 242 166	—	1 233 689	8 477
Securities arising from trading activities	250 445	226 874	23 571	—
Investment portfolio	61 075	1 692	1 669	57 714
Loans and advances to customers*	1 021 896	—	7 801	1 014 095
Other loans and advances	71 807	—	—	71 807
Other securitised assets	6 137	—	—	6 137
Other assets	27 221	27 221	—	—
	4 407 080	**796 341**	**2 308 110**	**1 302 629**
Liabilities				
Derivative financial instruments	1 135 149	13 853	1 107 817	13 479
Other trading liabilities	118 572	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	21 679	—
Debt securities in issue	219 915	—	219 915	—
Subordinated liabilities	343 233	343 233	—	—
	1 838 548	**475 658**	**1 349 411**	**13 479**
Net assets at fair value	**2 568 532**	**320 683**	**958 699**	**1 289 150**

^ Restated as detailed in note 57.
* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

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

Transfers between level 1 and level 2
During the current year and prior year, there were no transfers between level 1 and level 2.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Company					
Assets					
Balance as at 1 April 2019	**91 914**	**1 121 765**	**6 831**	**121 598**	**1 342 108**
Total gains or (losses)	(37 654)	26 665	179	4 884	(5 926)
In the income statement	(37 654)	26 187	179	4 884	(6 404)
In the statement of comprehensive income	—	478	—	—	478
Purchases	9 353	1 324 319	—	104 166	1 437 838
Sales	(7 384)	(1 019 590)	—	(1 082)	(1 028 056)
Settlements	(1 675)	(475 929)	(874)	(4 655)	(483 133)
Foreign exchange adjustments	3 160	36 865	1	(228)	39 798
Balance as at 31 March 2020	**57 714**	**1 014 095**	**6 137**	**224 683**	**1 302 629**
Total gains or (losses)	4 688	27 137	1 848	4 675	38 348
In the income statement	4 688	29 329	1 848	4 675	40 540
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	7 292	944 236	—	46 936	998 464
Sales	(1 353)	(467 562)	—	(24 026)	(492 941)
Issues	—	—	—	37	37
Settlements	(250)	(445 913)	(2 211)	(68 119)	(516 493)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(3 635)	(60 437)	—	(18 367)	(82 439)
Balance as at 31 March 2021	**64 456**	**1 019 358**	**5 774**	**170 852**	**1 260 440**

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

For the year to £'000	Liabilities[2]	**Total**
Company		
Liabilities		
Balance as at 1 April 2019	**16 572**	**16 572**
Total (gains) or losses	(2 917)	(2 917)
In the income statement	(2 917)	(2 917)
Settlements	(719)	(719)
Foreign exchange adjustments	543	543
Balance as at 31 March 2020	**13 479**	**13 479**
Total (gains) or losses	836	836
In the income statement	836	836
Settlements	(1 189)	(1 189)
Foreign exchange adjustments	(1 170)	(1 170)
Balance as at 31 March 2021	**11 956**	**11 956**

2. Comprises level 3 derivative financial instruments.

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

For the year ended 31 March 2021, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value. (31 March 2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

For the year to 31 March £'000	Total	Realised	Unrealised
Company			
2021			
Total gains or (losses) included in the income statement for the period			
Net interest income	63 222	52 657	10 565
Investment income*	(21 909)	2 630	(24 539)
Trading income/(loss) arising from customer flow	(1 609)	—	(1 609)
	39 704	**55 287**	**(15 583)**
Total gains or (losses) included in other comprehensive income for the period			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 009)	(1 009)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 201)	**(1 009)**	**(2 192)**
2020			
Total gains or (losses) included in the income statement for the period			
Net interest income	75 171	58 473	16 698
Fee and commission income	(3 184)	—	(3 184)
Investment income	(73 785)	18 749	(92 534)
Trading income/(loss) arising from customer flow	(1 689)	—	(1 689)
	(3 487)	**77 222**	**(80 709)**
Total gains or (losses) included in other comprehensive income for the period			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	—	478
	2 172	**1 694**	**478**

* Included within the investment income statement balance are unrealised gains of £10.3 million (31 March 2020: unrealised losses of £75.8 million) presented within operational items in the income statement.

Level 2 financial assets and financial liabilities
The company follows the group's principal valuation techniques set out on page 227 in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

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

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	104 814	Potential impact on income statement		3 787	(10 317)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	4	(4)
		Other	^	3 676	(10 115)
Derivative financial instruments	5 292	Potential impact on income statement		500	(1 493)
		Volatilities	5.4%-21.4%	51	(148)
		Other	^	449	(1 345)
Securities arising from trading activities	1 589	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	403	(519)
Investment portfolio	64 456	Potential impact on income statement		6 833	(18 784)
		Underlying asset value	^^	2 357	(5 357)
		Other	^	4 476	(13 427)
Loans and advances to customers	1 019 358	Potential impact on income statement		17 642	(39 131)
		Credit spreads	0.08%-37.3%	9 363	(14 644)
		Underlying asset value	^^	2 983	(8 599)
		Other	^	5 296	(15 888)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	5 774	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	549	(674)
Other loans and advances	59 157	Potential impact on income statement			
		Underlying asset value	^^	6 329	(2 012)
Total level 3 assets	**1 260 440**			**41 633**	**(82 641)**
Liabilities					
Derivative financial instruments	11 956	Potential impact on income statement		(402)	474
		Discount rate	11.8%	(377)	398
		Volatilities	5.4%-21.1%	(25)	76
Total level 3 liabilities	**11 956**			**(402)**	**474**
Net level 3 assets	**1 248 484**				

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value hierarchy (continued)

At 31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	144 399	Potential impact on income statement		4 427	(12 439)
		Credit spreads	0.38%-0.88%	23	(144)
		Cash flow adjustments	CPR 6.8%	9	(9)
		Discount rate	5.56%	7	(43)
		Underlying asset value	^^	454	(442)
		Other	^	3 934	(11 801)
Derivative financial instruments	8 477	Potential impact on income statement		308	(924)
		Volatilities	4.1%-25.3%	94	(283)
		Other	^	214	(641)
Investment portfolio	57 714	Potential impact on income statement		6 275	(16 432)
		Underlying asset value	^^	2 868	(6 210)
		Other	^	3 407	(10 222)
Loans and advances to customers	1 014 095	Potential impact on income statement		13 156	(41 076)
		Credit spreads	0.05%-3.5% & PAR	948	(6 042)
		Underlying asset value	^^	647	(352)
		Other	^	11 561	(34 682)
		Potential impact on other comprehensive income			
		Credit spreads	0.03%-5.8% & PAR	4 645	(724)
Other securitised assets	6 137	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	156	(986)
Other loans and advances	71 807	Potential impact on income statement		74 784	(67 852)
		Underlying asset value	^^	22 285	(18 239)
		Credit spreads	2.07%	40 829	(40 580)
		Other	^	11 670	(9 033)
Total level 3 assets	**1 302 629**			**103 751**	**(140 433)**
Liabilities					
Derivative financial instruments	13 479	Potential impact on income statement		(11 796)	12 783
		Discount rate	5.6%-11.3%	(11 782)	12 741
		Volatilities	4.1%-25.3%	(14)	42
Total level 3 liabilities	**13 479**			**(11 796)**	**12 783**
Net level 3 assets	**1 289 150**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
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16. Fair value of financial instruments at amortised cost

					Level within the fair value hierarchy		
At 31 March £'000	**Carrying amount**	**Fair value approximates carrying amount**	**Balances where fair values do not approximate carrying amounts**	**Fair value of balances that do not approximate carrying amounts**	**Level 1**	**Level 2**	**Level 3**
Group							
2021							
Assets							
Cash and balances at central banks	3 043 034	3 043 034	—	—	—	—	—
Loans and advances to banks	1 383 602	1 378 080	5 522	5 474	—	—	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992	—	271 992	—
Bank debt securities	4 263	4 263	—	—	—	—	—
Other debt securities	505 507	62 244	443 263	445 257	17 890	420 432	6 935
Loans and advances to customers	11 270 650	644 517	10 626 133	10 614 861	—	969 764	9 645 097
Other loans and advances	162 456	100 241	62 215	62 916	—	62 916	—
Other assets	951 818	951 545	273	256	—	—	256
	18 711 121	**7 302 352**	**11 408 769**	**11 400 756**			
Liabilities							
Deposits by banks	1 351 985	241 046	1 110 939	1 119 997	—	1 117 341	2 656
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803	—	47 803	—
Customer accounts (deposits)	16 240 634	10 069 791	6 170 843	6 213 235	—	6 213 235	—
Debt securities in issue	1 074 688	283 742	790 946	803 915	—	803 915	—
Other liabilities	612 006	607 745	4 261	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	19 873 347	**11 311 960**	**8 561 387**	**8 643 798**			

This note has been restated to separately present those items where fair value approximates the carrying value. For items where fair values do not approximate carrying value, fair value disclosures are presented above.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. These assets and liabilities include demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value
Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

16. Fair value of financial instruments at amortised cost (continued)

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Group							
2020							
Assets							
Cash and balances at central banks	2 277 318	2 277 318	—	—	—	—	—
Loans and advances to banks	1 793 867	1 788 815	5 052	4 895	—	—	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 383 433	159 616	159 543	—	159 543	—
Other debt securities	478 454	37 985	440 469	407 901	14 614	385 750	7 537
Loans and advances to customers	10 759 028	1 133 638	9 625 390	9 656 378	—	937 312	8 719 066
Other loans and advances	266 501	104 049	162 452	150 210	—	150 210	—
Other assets	885 036	884 805	231	141	—	—	141
	18 003 253	**7 610 043**	**10 393 210**	**10 379 068**			
Liabilities							
Deposits by banks	1 450 127	130 362	1 319 765	1 323 062	8 938	1 310 222	3 902
Repurchase agreements and cash collateral on securities lent	375 132	312 287	62 845	76 060	—	76 060	—
Customer accounts (deposits)*	15 505 883	8 608 096	6 897 787	6 906 493	—	6 906 493	—
Debt securities in issue	806 559	44 626	761 933	769 958	—	769 958	—
Other liabilities	1 039 298	1 031 925	7 373	6 576	—	—	6 576
Subordinated liabilities	443 797	—	443 797	409 723	409 723	—	—
	19 620 796	**10 127 296**	**9 493 500**	**9 491 872**			

* £1.8 billion of customer accounts (deposits) reported as level 1 as at 31 March 2020 have been restated to level 2, as inputs other than quoted prices were used to determine fair value.

NOTES TO THE FINANCIAL STATEMENTS
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16. Fair value of financial instruments at amortised cost (continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity.

For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

The following table sets out the group’s principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Other debt securities	Priced with reference to similar trades in an observable market.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS
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16. Fair value of financial instruments at amortised cost (continued)

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Company							
2021							
Assets							
Cash and balances at central banks	2 993 119	2 993 119	—	—	—	—	—
Loans and advances to banks	454 596	449 074	5 522	5 474	—	—	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992	—	271 992	—
Other debt securities	1 197 141	785 177	411 964	413 533	17 890	388 708	6 935
Loans and advances to customers	8 340 732	433 346	7 907 386	7 906 521	—	—	7 906 521
Other loans and advances	2 754 572	2 722 651	31 921	31 482	—	31 482	—
Other assets	632 593	632 322	271	256	—	—	256
	17 762 544	**9 134 117**	**8 628 427**	**8 629 258**			
Liabilities							
Deposits by banks	1 451 745	419 222	1 032 523	1 038 215	—	1 035 559	2 656
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803	—	47 803	—
Customer accounts (deposits)	15 493 774	9 402 363	6 091 411	6 133 782	—	6 133 782	—
Debt securities in issue	1 044 360	253 414	790 946	803 915	—	803 915	—
Other liabilities	375 345	371 083	4 262	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	18 959 258	**10 555 718**	**8 403 540**	**8 482 563**			

This note has been restated to separately present those items where fair value approximates the carrying value. For items where fair values do not approximate carrying value, fair value disclosures are presented above.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. These assets and liabilities include demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value
Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

16. Fair value of financial instruments at amortised cost (continued)

At 31 March £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Company							
2020							
Assets							
Cash and balances at central banks	2 235 286	2 235 286	—	—	—	—	—
Loans and advances to banks	988 928	983 876	5 052	4 895	—	—	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 383 433	159 616	159 543	—	159 543	—
Other debt securities	958 296	558 088	400 208	373 861	14 614	351 710	7 537
Loans and advances to customers	7 835 298	788 174	7 047 124	7 072 351	—	—	7 072 351
Other loans and advances	2 677 844	2 585 783	92 061	86 294	—	86 294	—
Other assets	605 485	605 255	230	141	—	—	141
	16 844 186	**9 139 895**	**7 704 291**	**7 697 085**			
Liabilities							
Deposits by banks	1 537 317	304 383	1 232 934	1 229 385	8 938	1 216 545	3 902
Repurchase agreements and cash collateral on securities lent	375 132	312 287	62 845	76 060	—	76 060	—
Customer accounts (deposits)*	14 559 110	7 760 322	6 798 788	6 807 481	—	6 807 481	—
Debt securities in issue	762 053	120	761 933	769 958	—	769 958	—
Other liabilities	742 456	734 889	7 566	6 576	—	—	6 576
Subordinated liabilities	443 797	—	443 797	409 723	409 723	—	—
	18 419 865	**9 112 001**	**9 307 863**	**9 299 183**			

* £1.8 billion of customer accounts (deposits) reported as level 1 as at 31 March 2020 have been restated to level 2, as inputs other than quoted prices were used to determine fair value.

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17. Designated at fair value

At 31 March £'000	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk		Maximum exposure to credit risk
		Current	Cumulative	Current	Cumulative	
Group						
Assets						
2021						
Reverse repurchase agreements and cash collateral on securities borrowed	119 714	(8 498)	4 614	—	—	—
Securities arising from trading activities	22 553	2 707	915	(1 128)	(1 380)	22 553
Other securitised assets	107 259	5 462	(3 173)	5 462	(3 173)	107 259
	249 526	**(329)**	**2 356**	**4 334**	**(4 553)**	**129 812**
2020^						
Reverse repurchase agreements and cash collateral on securities borrowed	109 434	(24 617)	(27 517)	—	—	—
Securities arising from trading activities	125 240	(17 011)	(12 868)	(2 236)	(2 158)	125 240
Other securitised assets	106 218	(3 959)	(9 332)	(3 959)	(9 332)	106 218
	340 892	**(45 587)**	**(49 717)**	**(6 195)**	**(11 490)**	**231 458**

^ Restated as detailed in note 57.

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment		Change in fair value attributable to credit risk	
			Current	Cumulative	Current	Cumulative
Liabilities						
2021						
Deposits by banks	294	1 335	(11)	(649)	—	—
Debt securities in issue	118 690	107 028	30 559	18 178	(972)	(1 320)
Liabilities arising on securitisation of other assets	108 281	113 015	6 001	(4 946)	6 001	(4 946)
Subordinated liabilities	334 804	307 962	(8 429)	23 269	(417)	14 257
	562 069	**529 340**	**28 120**	**35 852**	**4 612**	**7 991**
2020						
Deposits by banks	336	1 478	(637)	(637)	—	—
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Liabilities arising on securitisation of other assets	110 679	122 496	(2 261)	(11 912)	(2 261)	(11 912)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	674 163	**671 492**	**(56 125)**	**(5 708)**	**(17 053)**	**701**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

NOTES TO THE FINANCIAL STATEMENTS
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17. Designated at fair value (continued)

		Fair value adjustment		Change in fair value attributable to credit risk		
At 31 March £'000	Carrying value	Current	Cumulative	Current	Cumulative	Maximum exposure to credit risk
Company						
Assets						
2021						
Reverse repurchase agreements and cash collateral on securities borrowed	119 714	(8 498)	4 614	—	—	—
Other debt securities	1 410	67	230	67	230	1 410
Securities arising from trading activities	22 553	2 707	915	(1 128)	(1 380)	22 553
Other securitised assets	5 774	(363)	5 774	(363)	5 774	5 774
	149 451	**(6 087)**	**11 533**	**(1 424)**	**4 624**	**29 737**
2020^						
Reverse repurchase agreements and cash collateral on securities borrowed	109 434	(24 617)	(27 517)	—	—	—
Other debt securities	1 404	(217)	128	(217)	128	1 404
Securities arising from trading activities	125 240	(17 011)	(12 868)	(2 236)	(2 158)	125 240
Other securitised assets	6 137	(694)	6 137	(694)	6 137	6 137
	242 215	**(42 539)**	**(34 120)**	**(3 147)**	**4 107**	**132 781**

^ Restated as detailed in note 57.

			Fair value adjustment		Change in fair value attributable to credit risk	
At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Current	Cumulative	Current	Cumulative
Liabilities						
2021						
Debt securities in issue	118 690	107 028	30 559	18 178	(972)	(1 320)
Subordinated liabilities	334 804	307 962	(8 429)	23 269	(417)	14 257
	453 494	**414 990**	**22 130**	**41 447**	**(1 389)**	**12 937**
2020						
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	563 148	**547 518**	**(53 227)**	**6 841**	**(14 792)**	**12 613**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

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18. Cash and balances at central banks

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Gross cash and balances at central banks	3 043 034	2 277 318	2 993 119	2 235 286
Expected credit loss	—	—	—	—
Net cash and balances at central banks	**3 043 034**	**2 277 318**	**2 993 119**	**2 235 286**
The country risk of cash and bank balances at central banks lies in the following geographies:				
United Kingdom	2 993 129	2 235 296	2 993 119	2 235 286
Europe (excluding UK)	49 905	42 022	—	—
	3 043 034	**2 277 318**	**2 993 119**	**2 235 286**

19. Loans and advances to banks

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Gross loans and advances to banks	1 383 704	1 793 925	454 641	988 961
Expected credit loss	(102)	(58)	(45)	(33)
Net loans and advances to banks	**1 383 602**	**1 793 867**	**454 596**	**988 928**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	12 830	9 509	12 770	7 803
United Kingdom	566 585	811 686	100 503	399 723
Europe (excluding UK)	538 890	544 883	182 692	269 461
Australia	103 335	131 455	56 152	83 227
North America	138 923	278 963	89 223	227 699
Asia	22 947	17 181	13 164	825
Other	92	190	92	190
	1 383 602	**1 793 867**	**454 596**	**988 928**

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CONTINUED

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

At 31 March £'000	Group 2021	Group 2020^	Company 2021	Company 2020^
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	2 065 249	2 458 826	2 065 249	2 458 826
Expected credit loss	(17)	(4)	(17)	(4)
Net reserve repurchase agreements and cash collateral on securities borrowed	**2 065 232**	**2 458 822**	**2 065 232**	**2 458 822**
Reverse repurchase agreements	2 039 402	2 429 022	2 039 402	2 429 022
Cash collateral on securities borrowed	25 830	29 800	25 830	29 800
	2 065 232	**2 458 822**	**2 065 232**	**2 458 822**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. £545 million (2020: £598 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	119 932	370 910	119 932	370 910
Cash collateral on securities lent	37 425	25 901	37 425	25 901
	157 357	**396 811**	**157 357**	**396 811**

^ Restated as detailed in note 57.

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £25 million (2020: £37 million). They are pledged as security for the term of the underlying repurchase agreement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21. Sovereign debt securities

At 31 March £'000	Group 2021	Group 2020^	Company 2021	Company 2020^
Gross sovereign debt securities	1 108 253	1 084 958	542 016	540 554
Expected credit loss	—	—	—	—
Net sovereign debt securities	**1 108 253**	**1 084 958**	**542 016**	**540 554**
Floating rate notes	46 713	—	—	—
Government securities	542 016	190 596	542 016	190 596
Treasury bills	519 524	894 362	—	349 958
	1 108 253	**1 084 958**	**542 016**	**540 554**
The country risk of sovereign debt securities lies in the following geographies:				
United Kingdom	359 523	697 757	72 161	350 006
Europe (excluding UK)*	66 547	31 831	55 540	31 831
North America	632 265	336 816	364 397	140 163
Australia	49 918	18 554	49 918	18 554
	1 108 253	**1 084 958**	**542 016**	**540 554**

^ Restated as detailed in note 57.
* Where Europe (excluding UK) largely includes securities held in Germany.

22. Bank debt securities

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Bonds	48 044	51 238	43 781	51 238
	48 044	**51 238**	**43 781**	**51 238**
The country risk of bank debt securities lies in the following geographies:				
United Kingdom	38 929	51 238	38 929	51 238
Europe (excluding UK)	9 115	—	4 852	—
	48 044	**51 238**	**43 781**	**51 238**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

23. Other debt securities

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Gross other debt securities	710 203	696 586	1 403 019	1 177 827
Expected credit loss	(1 358)	(768)	(1 312)	(763)
Net other debt securities	**708 845**	**695 818**	**1 401 707**	**1 177 064**
Bonds	190 679	219 226	911 689	737 222
Commercial paper	9 884	9 881	9 884	9 881
Asset-backed securities	508 282	466 711	480 134	429 961
	708 845	**695 818**	**1 401 707**	**1 177 064**
The country risk of other debt securities lies in the following geographies:				
United Kingdom	269 845	202 081	975 581	699 160
Europe (excluding UK)	71 891	94 217	73 336	94 217
North America	326 244	328 268	312 107	312 435
Asia	40 865	71 252	40 683	71 252
	708 845	**695 818**	**1 401 707**	**1 177 064**

NOTES TO THE FINANCIAL STATEMENTS
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24. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at the balance sheet date.

	2021			2020^		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	17 113 315	299 745	208 935	19 242 983	320 673	364 851
Currency swaps	598 233	13 007	10 084	566 764	38 115	44 214
OTC options bought and sold	3 427 247	48 207	44 409	2 199 686	47 388	50 573
	21 138 795	**360 959**	**263 428**	**22 009 433**	**406 176**	**459 638**
Interest rate derivatives						
Caps and floors	8 878 148	19 155	13 058	9 449 836	21 618	17 912
Swaps	37 046 882	180 641	57 799	32 638 653	309 093	119 127
OTC derivatives	**45 925 030**	**199 796**	**70 857**	**42 088 489**	**330 711**	**137 039**
Exchange traded futures	228 292	—	—	744 388	50	36
	46 153 322	**199 796**	**70 857**	**42 832 877**	**330 761**	**137 075**
Equity and stock index derivatives						
OTC options bought and sold	4 188 105	95 579	252 815	6 228 658	308 070	107 633
Equity swaps and forwards	695 478	19 689	7 710	7 412	—	786
OTC derivatives	**4 883 583**	**115 268**	**260 525**	**6 236 070**	**308 070**	**108 419**
Exchange traded futures	201 987	—	—	286 862	—	—
Exchange traded options	16 930 831	—	232 642	9 896 516	—	237 424
Warrants	412	19	—	15 909	—	—
	22 016 813	**115 287**	**493 167**	**16 435 357**	**308 070**	**345 843**
Commodity derivatives						
OTC options bought and sold	224 256	31 209	38 347	483 474	42 191	49 487
Commodity swaps and forwards	738 641	52 689	48 316	974 060	147 963	141 701
	962 897	**83 898**	**86 663**	**1 457 534**	**190 154**	**191 188**
Credit derivatives	**333 933**	**8 911**	**2 237**	**485 589**	**13 696**	**13 781**
Other derivatives		**4 483**			**2 137**	
Derivatives per balance sheet		**773 334**	**916 352**		**1 250 994**	**1 147 525**

^ Restated as detailed in note 57.

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24. Derivative financial instruments (continued)

At 31 March £'000	2021 Notional principal amounts	2021 Positive fair value	2021 Negative fair value	2020^ Notional principal amounts	2020^ Positive fair value	2020^ Negative fair value
Company						
Foreign exchange derivatives						
Forward foreign exchange contracts	15 291 897	283 994	197 137	18 570 477	321 002	372 781
Currency swaps	544 954	9 306	8 073	525 005	33 450	37 887
OTC options bought and sold	3 424 623	48 204	44 376	2 177 366	46 716	50 356
	19 261 474	**341 504**	**249 586**	**21 272 848**	**401 168**	**461 024**
Interest rate derivatives						
Caps and floors	8 638 764	19 155	13 056	9 196 705	21 618	17 898
Swaps	36 917 728	189 032	57 694	32 509 115	310 056	119 098
Forward rate agreements	—	—	3 814	—	—	—
OTC options bought and sold	—	—	—	—	12 821	—
OTC derivatives	**45 556 492**	**208 187**	**74 564**	**41 705 820**	**344 495**	**136 996**
Exchange traded futures	228 292	—	—	744 388	50	36
	45 784 784	**208 187**	**74 564**	**42 450 208**	**344 545**	**137 032**
Equity and stock index derivatives						
OTC options bought and sold	4 187 466	95 579	252 815	6 227 951	308 070	107 633
Equity swaps and forwards	695 478	19 689	7 710	7 412	—	786
OTC derivatives	**4 882 944**	**115 268**	**260 525**	**6 235 363**	**308 070**	**108 419**
Exchange traded futures	201 987	—	—	286 862	—	—
Exchange traded options	16 930 831	—	232 642	9 896 516	—	237 424
Warrants	—	19	—	15 503	—	—
	22 015 762	**115 287**	**493 167**	**16 434 244**	**308 070**	**345 843**
Commodity derivatives						
OTC options bought and sold	8 476	12 542	22 922	244 587	48 073	36 304
Commodity swaps and forwards	705 208	51 955	43 317	852 248	124 477	141 165
	713 684	**64 497**	**66 239**	**1 096 835**	**172 550**	**177 469**
Credit derivatives	**333 933**	**8 911**	**2 237**	**485 589**	**13 696**	**13 781**
Other derivatives		**4 483**			**2 137**	
Derivatives per balance sheet		**742 869**	**885 793**		**1 242 166**	**1 135 149**

^ Restated as detailed in note 57.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

25. Securities arising from trading activities

At 31 March £'000	Group		Company	
	2021	2020^	**2021**	2020^
Asset-backed securities	5 160	6 200	1 589	—
Bonds	22 631	125 547	22 631	125 547
Government securities	4 101	46 737	4 101	46 737
Listed equities	249 753	78 161	249 753	78 161
	281 645	**256 645**	**278 074**	**250 445**

^ Restated as detailed in note 57.

26. Investment portfolio

At 31 March £'000	Group		Company	
	2021	2020	**2021**	2020
Listed equities	10 011	7 531	2 718	2 147
Unlisted equities*	340 930	343 131	65 230	58 928
	350 941	**350 662**	**67 948**	**61 075**

* Unlisted equities include loan instruments that are convertible into equity.

27. Loans and advances to customers and other loans and advances

At 31 March £'000	Group		Company	
	2021	2020	**2021**	2020
Gross loans and advances to customers at amortised cost	11 434 817	10 932 235	8 461 183	7 967 722
Gross loans and advances to customers at FVOCI^	534 059	421 841	534 059	421 841
Gross loans and advances to customers subject to expected credit losses	**11 968 876**	**11 354 076**	**8 995 242**	**8 389 563**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(164 167)	(173 207)	(120 451)	(132 424)
Net loans and advances to customers at amortised cost and FVOCI^	**11 804 709**	**11 180 869**	**8 874 791**	**8 257 139**
Loans and advances to customers at fair value through profit and loss	511 604	653 338	485 299	600 055
Net loans and advances to customers	**12 316 313**	**11 834 207**	**9 360 090**	**8 857 194**
Gross other loans and advances	162 565	266 624	2 762 616	2 692 629
Expected credit losses on other loans and advances	(109)	(123)	(8 044)	(14 785)
Net other loans and advances at amortised cost	**162 456**	**266 501**	**2 754 572**	**2 677 844**
Other loans and advances at fair value through profit and loss	—	—	59 157	71 807
Net other loans and advances	**162 456**	**266 501**	**2 813 729**	**2 749 651**

^ Expected credit losses above do not include £5 million (31 March 2020: £2 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

For further analysis on loans and advances for the group refer to pages 71 to 78 in the risk management section, for the company pages 298 to 299.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27. Loans and advances to customers and other loans and advances (continued)

At 31 March £'000	Group 2021	Company 2021
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^		
Balance as at 1 April 2019	**147 797**	**117 472**
Charge to the income statement	73 261	51 677
Reversals and recoveries recognised in the income statement	(95)	(95)
Write-offs	(48 541)	(37 660)
Exchange adjustments	785	1 030
Balance as at 31 March 2020	**173 207**	**132 424**
Charge to the income statement	61 610	56 716
Reversals and recoveries recognised in the income statement	(41)	(28)
Write-offs	(71 317)	(68 976)
Exchange adjustments	708	315
Balance as at 31 March 2021	**164 167**	**120 451**
Expected credit loss of other loans and advances		
Balance as at 1 April 2019	**114**	**24 448**
Charge to the income statement	25	1 393
Write-offs	—	(11 056)
Exchange adjustments	(16)	—
Balance as at 31 March 2020	**123**	**14 785**
(Release)/charge to the income statement	(80)	11 782
Write-offs	—	(18 523)
Exchange adjustments	66	—
Balance as at 31 March 2021	**109**	**8 044**

^ Expected credit losses above do not include £5 million (31 March 2020: £2 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

28. Securitised assets and liabilities arising on securitisation

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Other securitised assets are made up of the following categories of assets:				
Loans and advances to customers	101 485	100 081	—	—
Other debt securities	5 774	6 137	5 774	6 137
Total other securitised assets	**107 259**	**106 218**	**5 774**	**6 137**
The associated liabilities are recorded on balance sheet in the following line items:				
Liabilities arising on securitisation of other assets	**108 281**	**110 679**	**—**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

29. Interests in associated undertakings and joint venture holdings

For the year to 31 March £'000	2021	2020
Group		
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	4 074	6 440
Goodwill	139	139
Investment in associated undertakings and joint venture holdings	**4 213**	**6 579**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	6 440	8 414
Exchange adjustments	635	(761)
Disposals	—	(313)
Share of post-taxation profits of associates and joint venture holdings^	2 067	2 224
Dividends received	(5 068)	(3 124)
At the end of the year	**4 074**	**6 440**
Analysis of the movement in goodwill:		
At the beginning of the year	139	441
Disposals	—	(302)
At the end of the year	**139**	**139**

^ Included within the share of post-taxation profit from associates and joint venture holdings balance is profit of £299 000 (31 March 2020: £96 000) presented within operational items in the income statement.

For the year to 31 March £'000	2021	2020
Company		
Analysis of the movement in investment:		
At the beginning of the year	645	610
Exchange adjustments	(61)	35
At the end of the year	**584**	**645**
Provision for impairment in value:		
At the beginning of the year	—	—
Disposals	—	—
At the end of the year	**—**	**—**
Net book value at the end of the year	**584**	**645**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30. Deferred taxation

At 31 March £'000	Group 2021	 2020	Company 2021	 2020
Deferred taxation assets	109 849	129 715	70 858	82 714
Deferred taxation liabilities	(20 652)	(22 112)	(6 288)	(6 774)
Net deferred taxation assets	**89 197**	**107 603**	**64 570**	**75 940**
The net deferred taxation assets arise from:				
Deferred capital allowances	40 264	37 401	7 299	7 578
Income and expenditure accruals	30	16 229	1 233	12 150
Asset in respect of unexpired options	10 419	8 080	9 528	7 483
Unrealised fair value adjustments on financial instruments	36 261	40 124	36 642	38 861
Losses carried forward	12 286	18 211	9 868	9 868
Deferred tax on acquired intangibles	(10 378)	(12 757)	—	—
Other temporary differences	315	315	—	—
Net deferred taxation assets	**89 197**	**107 603**	**64 570**	**75 940**
Reconciliation of net deferred taxation assets				
At the beginning of the year	**107 603**	**112 003**	**75 940**	**93 413**
Charge to income statement – current year taxation	(17 184)	6 624	(9 150)	(8 688)
Movement directly in other comprehensive income	(3 136)	(9 357)	(3 024)	(8 686)
Arising on acquisitions/disposals	(300)	(1 633)	—	—
Exchange adjustments	2 214	(34)	804	(99)
At the end of the year	**89 197**	**107 603**	**64 570**	**75 940**

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £56.9 million (2020: £46.4 million) (company £nil) (2020 company: £nil), capital losses carried forward of £53 million (2020: £44.5 million) and excess management expenses of £nil (2020: £1.2 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%.

The UK Government has also announced a review of the current bank surcharge rate of 8% to ensure that the combined rate of corporation tax, applicable to banking entities, does not increase substantially from its current level when the proposed change to the main UK corporation tax rate comes into effect. Therefore, the company has not made an estimate of the impact of the post- balance sheet date change in the main UK corporation tax rate on the basis that it is uncertain what the combined rate of corporation tax, applicable to banking entities from 1 April 2023, will be until the UK Government has completed its review of the bank surcharge.

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31. Other assets

At 31 March £'000	Group 2021	 2020	Company 2021	 2020
Gross other assets	1 395 915	1 457 556	702 351	704 623
Expected credit loss	—	—	—	—
Net other assets	**1 395 915**	**1 457 556**	**702 351**	**704 623**
Settlement debtors	864 976	790 884	571 970	537 142
Trading properties	24 758	36 081	—	4 293
Prepayments and accruals	94 212	107 684	49 689	63 037
Trading initial margin	6 857	27 221	6 857	27 221
Finance lease receivables	252 797	322 211	—	—
Other	152 315	173 475	73 835	72 930
	1 395 915	**1 457 556**	**702 351**	**704 623**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

32. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	**Total**
Group							
2021							
Cost							
At the beginning of the year	36	144 893	92 086	7 432	26 201	7 210	277 858
Exchange adjustments	—	(475)	(2 869)	120	19	(113)	(3 318)
Additions**	—	6 691	543	115	2 180	56	9 585
Disposals	—	(9 733)	(8 916)	(273)	(2 703)	(1 432)	(23 057)
At the end of the year	**36**	**141 376**	**80 844**	**7 394**	**25 697**	**5 721**	**261 068**
Accumulated depreciation							
At the beginning of the year	(36)	(16 946)	(22 277)	(2 848)	(12 791)	(6 005)	(60 903)
Exchange adjustments	—	615	(442)	(84)	(11)	77	155
Disposals	—	3 866	8 224	207	2 335	1 396	16 028
Depreciation charge for the year	—	(16 851)	(6 544)	(602)	(6 186)	(663)	(30 846)
At the end of the year	**(36)**	**(29 316)**	**(21 039)**	**(3 327)**	**(16 653)**	**(5 195)**	**(75 566)**
Net carrying value	**—**	**112 060**	**59 805**	**4 067**	**9 044**	**526**	**185 502**
2020							
Cost							
At the beginning of the year	36	—	86 124	7 861	25 129	9 965	129 115
Exchange adjustments	—	—	1 687	(96)	(28)	—	1 563
Additions**	—	145 240	5 759	88	1 591	184	152 862
Disposals	—	(347)	(1 283)	(421)	(491)	(2 939)	(5 481)
Write-off	—	—	(201)	—	—	—	(201)
At the end of the year	**36**	**144 893**	**92 086**	**7 432**	**26 201**	**7 210**	**277 858**
Accumulated depreciation							
At the beginning of the year	(36)	—	(17 421)	(2 168)	(7 391)	(7 385)	(34 401)
Exchange adjustments	—	(435)	361	(16)	27	—	(63)
Disposals	—	678	1 552	180	466	2 787	5 663
Depreciation charge for the year	—	(17 189)	(6 769)	(844)	(5 893)	(1 407)	(32 102)
At the end of the year	**(36)**	**(16 946)**	**(22 277)**	**(2 848)**	**(12 791)**	**(6 005)**	**(60 903)**
Net carrying value	**—**	**127 947**	**69 809**	**4 584**	**13 410**	**1 205**	**216 955**

* These are assets held by the group, in circumstances where the group is lessor.
** Additions include transfers from work in progress reported in other assets in the prior year.
^ Right of use assets primarily comprise property leases under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS
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32. Property and equipment (continued)

At 31 March £'000	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Total
Company					
2021					
Cost					
At the beginning of the year	60 451	41 416	5 943	13 931	121 741
Additions**	555	—	—	479	1 034
Disposals	(278)	(225)	(483)	(55)	(1 041)
At the end of the year	**60 728**	**41 191**	**5 460**	**14 355**	**121 734**
Accumulated depreciation					
At the beginning of the year	(6 773)	(7 746)	(1 157)	(6 682)	(22 358)
Disposals	278	216	104	4	602
Depreciation charge for the year	(6 751)	(4 290)	(518)	(3 582)	(15 141)
At the end of the year	**(13 246)**	**(11 820)**	**(1 571)**	**(10 260)**	**(36 897)**
Net carrying value	**47 482**	**29 371**	**3 889**	**4 095**	**84 837**
2020					
Cost					
At the beginning of the year	—	38 044	6 135	12 986	57 165
Additions**	60 451	3 372	—	945	64 768
Disposals	—	—	(192)	—	(192)
At the end of the year	**60 451**	**41 416**	**5 943**	**13 931**	**121 741**
Accumulated depreciation					
At the beginning of the year	—	(3 400)	(582)	(3 292)	(7 274)
Disposals	—	9	31	(22)	18
Depreciation charge for the year	(6 773)	(4 355)	(606)	(3 368)	(15 102)
At the end of the year	**(6 773)**	**(7 746)**	**(1 157)**	**(6 682)**	**(22 358)**
Net carrying value	**53 678**	**33 670**	**4 786**	**7 249**	**99 383**

** Additions include transfers from work in progress reported in other assets in the prior year.
^ Right of use assets primarily comprise property leases under IFRS 16.

On 3 December 2010, the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation on these operating leased assets has been shown separately on the face of the income statement.

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33. Goodwill

At 31 March £'000	2021	2020
Cost		
At the beginning of the year	279 428	287 328
Disposal of subsidiaries	(148)	(7 988)
Exchange adjustments	—	88
At the end of the year	**279 280**	**279 428**
Accumulated impairments		
At the beginning of the year	(26 470)	(26 470)
Impairments	(8 787)	—
Exchange adjustments	49	—
At the end of the year	**(35 208)**	**(26 470)**
Net carrying value	**244 072**	**252 958**
Analysis of goodwill by line of business:		
Wealth & Investment	241 139	241 139
Specialist Banking	2 933	11 819
Total group	**244 072**	**252 958**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Investec Wealth & Investment, goodwill of £241.1 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.9% (2020: 8.7%) which incorporate an expected revenue growth rate of 2% in perpetuity (2020: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Specialist Banking, the goodwill of £2.9 million is made up of a number of individual cash-generating units within the line of business. These cash generating units are assessed for impairment considering current performance and budgets. There are no indications of impairment from the review of these balances except as discussed below in relation to Investec Ireland.

Movement in goodwill

During the year ended 31 March 2021, goodwill of £8.8 million in relation to Investec Ireland was written off as a result of the change in business following the Brexit impact and as such there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

In the prior year, goodwill of £8 million was written off as part of the sale of the Ireland Wealth businesses, refer to note 35.

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34. Intangible assets

At 31 March £'000	Software			Other acquired intangible assets			
	Acquired software	Internally generated software	Total	Management contracts*	Client relationships*	Total	Total
Group							
2021							
Cost							
At the beginning of the year	25 265	—	25 265	—	182 020	182 020	207 285
Exchange adjustments	(221)	—	(221)	—	(44)	(44)	(265)
Additions	1 541	1 702	3 243	—	1 972	1 972	5 215
Disposals	(2 187)	—	(2 187)	—	(3 392)	(3 392)	(5 579)
At the end of the year	**24 398**	**1 702**	**26 100**	**—**	**180 556**	**180 556**	**206 656**
Accumulated amortisation and impairments							
At the beginning of the year	(18 310)	—	(18 310)	—	(113 634)	(113 634)	(131 944)
Exchange adjustments	397	—	397	—	30	30	427
Disposals	2 182	—	2 182	—	2 517	2 517	4 699
Amortisation	(2 578)	—	(2 578)	—	(12 851)	(12 851)	(15 429)
At the end of the year	**(18 309)**	**—**	**(18 309)**	**—**	**(123 938)**	**(123 938)**	**(142 247)**
Net carrying value	**6 089**	**1 702**	**7 791**	**—**	**56 618**	**56 618**	**64 409**
2020							
Cost							
At the beginning of the year	22 968	—	22 968	592	181 974	182 566	205 534
Exchange adjustments	52	—	52	—	46	46	98
Additions	4 085	—	4 085	—	—	—	4 085
Disposals	(1 840)	—	(1 840)	—	—	—	(1 840)
Write-off	—	—	—	(592)	—	(592)	(592)
At the end of the year	**25 265**	**—**	**25 265**	**—**	**182 020**	**182 020**	**207 285**
Accumulated amortisation and impairments							
At the beginning of the year	(15 843)	—	(15 843)	(592)	(100 689)	(101 281)	(117 124)
Exchange adjustments	(209)	—	(209)	—	(30)	(30)	(239)
Disposals	717	—	717	—	—	—	717
Amortisation	(2 975)	—	(2 975)	—	(12 915)	(12 915)	(15 890)
Write-off	—	—	—	592	—	592	592
At the end of the year	**(18 310)**	**—**	**(18 310)**	**—**	**(113 634)**	**(113 634)**	**(131 944)**
Net carrying value	**6 955**	**—**	**6 955**	**—**	**68 386**	**68 386**	**75 341**

* Management contracts and client relationships are acquired intangibles.

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

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34. Intangible assets (continued)

At 31 March £'000	Acquired software
Company	
2021	
Cost	
At the beginning of the year	2 705
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(1 649)
Amortisation	(511)
At the end of the year	**(2 160)**
Net carrying value	**545**
2020	
Cost	
At the beginning of the year	1 203
Additions	1 502
At the end of the year	**2 705**
Accumulated amortisation and impairments	
At the beginning of the year	(1 083)
Amortisation	(566)
At the end of the year	**(1 649)**
Net carrying value	**1 056**

35. Acquisitions and disposals

Group and company

There were no significant acquisitions of subsidiaries during the current and prior years.

During the year, Investec Bank plc sold the Investec Australia Property Fund (IAPF) management company for proceeds and a gain of £20.4 million. Additionally, a gain of £13 million was recognised from the formation of a joint venture with the State Bank of India, now measured at fair value, as a result of loss of control in Investec Capital Services (India) Private Limited.

During the prior year, the group completed the sale of its Republic of Ireland Wealth & Investment business for proceeds of €44 million and a net gain of £19 million. The decision to dispose of the business was taken in light of changes in Investec group's Irish business model, brought about by Brexit planning and the ongoing consolidation taking place in the wealth management industry in Ireland. The sale did not impact the group's other Irish businesses which have the necessary regulatory structure in place to continue to provide their existing range of specialist financial services.

NOTES TO THE FINANCIAL STATEMENTS
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36. Other trading liabilities

At 31 March £'000	Group and Company 2021	 2020
Short positions		
– Equities	38 399	33 755
– Bank debt securities	10 656	—
– Gilts	—	84 817
	49 055	**118 572**

37. Debt securities in issue

At 31 March £'000	Group 2021	 2020	Company 2021	 2020
Repayable in:				
Less than three months	45 890	49 328	16 756	6 016
Three months to one year	25 851	35 471	25 851	35 471
One to five years	1 080 848	706 462	1 079 654	705 268
Greater than five years	40 789	235 213	40 789	235 213
	1 193 378	**1 026 474**	**1 163 050**	**981 968**
Analysis by customer type:				
Retail	114 228	92 207	114 228	92 207
Wholesale	1 079 150	934 267	1 048 822	889 761
	1 193 378	**1 026 474**	**1 163 050**	**981 968**

NOTES TO THE FINANCIAL STATEMENTS
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38. Other liabilities

At 31 March £'000	Group 2021	 2020	Company 2021	 2020
Settlement liabilities	387 733	813 820	204 879	567 915
Other creditors and accruals	274 354	239 179	159 689	137 430
Lease liabilities	387 165	478 558	61 952	72 023
Other non-interest bearing liabilities	125 789	95 594	93 351	88 506
Expected credit losses on off-balance sheet commitments and guarantees	8 821	3 613	8 676	3 351
	1 183 862	**1 630 764**	**528 547**	**869 225**

The maturity analysis of the lease liabilities is shown below:

At 31 March £'000	2021 Undiscounted lease payments	 Present value	2020 Undiscounted lease payments	 Present value
Group				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	57 384	54 681	68 681	63 716
One to five years	318 418	281 513	250 195	223 402
Later than five years	52 826	50 971	224 573	191 440
	428 628	**387 165**	**543 449**	**478 558**

At 31 March £'000	2021 Undiscounted lease payments	 Present value	2020 Undiscounted lease payments	 Present value
Company				
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	9 384	8 375	9 117	7 969
One to five years	36 959	34 362	37 611	34 435
Later than five years	19 682	19 215	30 312	29 619
	66 025	**61 952**	**77 040**	**72 023**

NOTES TO THE FINANCIAL STATEMENTS
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38. Other liabilities (continued)
Reconciliation from opening balance to closing balance

At 31 March £'000	Group 2021	Company 2021
Balance as at 1 April 2019	**—**	**—**
Adoption of IFRS 16	500 001	77 012
Interest on lease liabilities	16 351	1 268
New leases	24 377	—
Disposals	(7 902)	—
Repayment of lease liabilities	(67 565)	(6 257)
Exchange adjustments	13 296	—
Balance as at 31 March 2020	**478 558**	**72 023**
Interest on lease liabilities	12 863	1 148
New leases	5 230	—
Disposals	(15 882)	—
Repayment of lease liabilities	(66 316)	(11 219)
Remeasurement of lease liabilities	630	—
Exchange adjustments	(27 918)	—
Balance as at 31 March 2021	**387 165**	**61 952**

39. Pension commitments

At 31 March £'000	2021	2020
Income statement charge		
Cost of defined contribution schemes included in staff costs	28 992	28 226
Net income statement charge in respect of pensions	**28 992**	**28 226**

Investec Bank plc staff have in previous years participated in an Investec Plc group defined benefit scheme along with employees from other Investec group undertakings. During the prior year, the group completed the demerger transaction to incorporate Ninety One (previously Investec Asset Management) as an independent company (see the Investec group's 2020 integrated annual report). As a result of this, the assets and liabilities of the Ninety One UK pension scheme (the scheme: previously the Investec Asset Management pension scheme) were derecognised from the consolidated Investec Plc group balance sheet. Investec plc has no ongoing involvement with the scheme and has no liabilities or obligations in respect of the scheme at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS
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40. Subordinated liabilities

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Issued by Investec Bank plc				
Subordinated fixed rate medium-term notes – FVPL	334 804	343 232	334 804	343 232
Subordinated fixed rate re-set callable medium-term notes – amortised cost	436 677	443 798	436 677	443 798
	771 481	**787 030**	**771 481**	**787 030**
Remaining maturities:				
In one year or less, or on demand	334 804	—	334 804	—
In more than one year, but not more than two years	—	343 232	—	343 232
In more than two years, but not more than five years	—	—	—	—
In more than five years	436 677	443 798	436 677	443 798
	771 481	**787 030**	**771 481**	**787 030**
Reconciliation from opening balance to closing balance				
At the beginning of the year	**787 030**	**803 699**	**787 030**	**803 699**
Fair value movement	(8 429)	(24 556)	(8 429)	(24 556)
Accrual of interest	47 405	47 578	47 405	47 578
Repayment of interest	(47 491)	(47 491)	(47 491)	(47 491)
Hedge accounting/amortisation of discount	(7 034)	7 800	(7 034)	7 800
At the end of the year	**771 481**	**787 030**	**771 481**	**787 030**

- Where notes are undated the maturity has been taken as the first potential call date.

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

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

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

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

On 1 April 2018, the group adopted IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 546 000 against its amortised cost value of £579 673 000 was an increase in disclosed liability of £136 891 000.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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41. Ordinary share capital

At 31 March £'000	Group and Company 2021	 2020
Authorised		
The authorised share capital is £2 000 million (2020: £2 000 million) comprising:		
2 000 million ordinary shares of £1 each (2020: 2 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	1 280 550 000	1 186 800 000
Issued during the year	—	93 750 000
At the end of the year	**1 280 550 000**	**1 280 550 000**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	1 280 550	1 186 800
Issued during the year	—	93 750
At the end of the year	**1 280 550**	**1 280 550**

42. Additional Tier 1 securities in issue

At 31 March £'000	Group 2021	 2020	Company 2021	 2020
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**	**250 000**	**250 000**

On 16 October 2017, Investec Bank plc issued £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) to Investec plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. A further £50 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible with the £200 million 2024 notes issued on 16 October 2018. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate of 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and investors will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of Investec Bank plc, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

43. Non-controlling interests

At 31 March £'000	2021	2020
Non-controlling interests in partially held subsidiaries	**390**	**3 369**

During the year, one subsidiary with a non-controlling interest (Outward VC Fund LLP) was deconsolidated by additional external investors investing in the entity, which resulted in a loss of control.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

44. Finance lease disclosures

At 31 March £'000	2021 Total future minimum payments	2021 Present value	2020 Total future minimum payments	2020 Present value
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	239 982	199 103	253 900	207 279
One to five years	375 016	334 008	440 342	389 582
Later than five years	5 651	5 229	5 015	4 684
	620 649	**538 340**	**699 257**	**601 545**
Unearned finance income	**(82 309)**		**(97 712)**	
Net investment in the lease	**538 340**		**601 545**	

At 31 March 2021, unguaranteed residual values accruing to the benefit of the company were £10.7 million (2020: £10.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2021 Total future minimum payments	2021 Present value	2020 Total future minimum payments	2020 Present value
Group				
Finance lease receivables included in other assets				
Lease receivables due in:				
Less than one year	40 448	41 596	51 739	49 265
One to five years	251 377	209 053	182 472	162 389
Later than five years	2 184	2 148	149 367	110 557
	294 009	**252 797**	**383 578**	**322 211**
Unearned finance income	**(41 212)**		**(61 367)**	
Net investment in the lease	**252 797**		**322 211**	

The company has no finance lease receivables at 31 March 2021 (31 March 2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

45. Notes to the cash flow statement

At 31 March £'000	Group 2021	Group 2020^	Company 2021	Company 2020^
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:				
Profit before taxation	93 189	45 398	68 071	9 337
Adjustment for non-cash items included in net income before taxation:				
Impairment of goodwill	8 787	—	—	—
Impairment of subsidiary	—	—	12 432	—
Amortisation of acquired intangibles	12 851	12 915	—	—
Net gain on disposal of subsidiaries	(32 936)	(18 662)	—	—
Depreciation of operating lease assets	663	1 407	—	—
Depreciation and impairment of property, equipment, software and other intangibles	32 760	33 671	15 652	15 668
Expected credit loss impairment charges	71 134	75 706	72 361	53 961
Share of post-taxation profit of associates and joint venture holdings	(1 768)	(2 128)	—	—
Dividends received from associates and joint venture holdings	5 068	3 124	—	—
Share-based payments and employee benefit liability recognised	3 836	(6 953)	2 796	(5 584)
Profit before taxation adjusted for non-cash items	**193 584**	**144 478**	**171 312**	**73 382**
Decrease/(increase) in operating assets				
Loans and advances to banks	28 684	41 696	14 515	(23 466)
Reverse repurchase agreements and cash collateral on securities borrowed	393 577	(1 165 605)	393 577	(1 165 605)
Sovereign debt securities	(23 235)	(104 867)	(1 402)	(133 655)
Bank debt securities	3 189	1 027	7 452	1 027
Other debt securities	(13 635)	(188 067)	(225 209)	(149 659)
Derivative financial instruments	477 660	(608 790)	499 297	(655 166)
Securities arising from trading activities	(25 000)	172 475	(27 629)	171 558
Investment portfolio	15 812	136 995	(5 605)	38 081
Other loans and advances	104 125	(20 126)	(70 030)	(22 836)
Loans and advances to customers	(547 379)	(1 419 672)	(563 285)	(1 176 257)
Securitised assets	(1 041)	11 925	363	694
Other assets	60 029	(305 567)	2 274	(166 880)
Goodwill	148	—	—	—
Investment properties	—	14 500	—	—
	472 934	**(3 434 076)**	**24 318**	**(3 282 164)**
(Decrease)/increase in operating liabilities				
Deposits by banks	(97 157)	133 117	(85 572)	20 549
Derivative financial instruments	(231 173)	456 709	(249 356)	482 482
Other trading liabilities	(69 517)	38 355	(69 517)	38 355
Repurchase agreements and cash collateral on securities lent	(239 454)	82 476	(239 454)	82 476
Customer accounts	734 751	2 006 649	934 664	1 900 078
Debt securities in issue	166 904	(1 023 667)	181 082	(1 030 030)
Liabilities arising on securitisation of other assets	(2 398)	(3 032)	—	—
Other liabilities	(429 367)	238 512	(355 285)	155 058
	(167 411)	**1 929 119**	**116 562**	**1 648 968**

^ Restated as detailed in note 57.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

46. Commitments

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Undrawn facilities	1 804 646	1 318 079	1 757 818	1 275 266
Other commitments	60 212	101 016	13 414	19 382
	1 864 858	**1 419 095**	**1 771 232**	**1 294 648**

* Expected credit losses on off-balance sheet positions of £9 million in the current year are reported with other liabilities.

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

At 31 March £'000	Carrying amount of pledged assets 2021	Carrying amount of pledged assets 2020^	Related liability 2021	Related liability 2020^
Group				
Pledged assets				
Loans and advances to banks	70 507	471 040	56 715	376 778
Reverse repurchase agreements and cash collateral on securities borrowed	159 600	109 434	126 064	100 365
Sovereign debt securities	273 265	349 831	251 603	313 749
Other debt securities	—	287 738	—	235 620
Securities arising from trading activities	62 464	158 101	59 955	147 116
Loans and advances to customers	261 496	306 768	123 702	251 202
Other loans and advances	4 628	29 513	3 718	23 584
	831 960	**1 712 425**	**621 757**	**1 448 414**
Company				
Pledged assets				
Loans and advances to banks	70 507	471 040	56 715	376 779
Reverse repurchase agreements and cash collateral on securities borrowed	159 600	109 434	146 350	100 365
Sovereign debt securities	273 265	349 831	264 604	318 923
Other debt securities	563 783	724 581	446 910	645 290
Securities arising from trading activities	62 464	158 101	59 955	147 116
Loans and advances to customers	261 496	306 768	207 288	273 199
Other loans and advances	4 628	29 513	3 718	23 584
	1 395 743	**2 149 268**	**1 185 540**	**1 885 256**

^ Restated as detailed in note 57.

The assets pledged by the group and company are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Contingent liabilities

At 31 March £'000	Group 2021	Group 2020	Company 2021	Company 2020
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	297 911	346 212	281 035	321 673
	297 911	**346 212**	**281 035**	**321 673**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank plc on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Support is provided by Investec Bank plc to its subsidiaries where appropriate.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

Investec Bank plc (Investec) has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceeding have been issued against Investec by the Office of the Public Prosecutor. Investec is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties. In relation to potential civil claims; while Investec is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, Investec has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec has itself served third party notices on various participants to these historic transactions in order to preserve statute of limitation on any potential future claims that Investec may seek to bring against those parties, should Investec incur any liability in the future. Investec has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec in future in relation to the relevant transactions. The group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure can be expected to seriously prejudice its outcome.

NOTES TO THE FINANCIAL STATEMENTS
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48. Related party transactions

For the year to 31 March £'000	2021	2020
Compensation of key management personnel		
Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24		
Related party transactions for the compensation of key management personnel, are disclosed in the directors' remuneration report on pages 148 to 166.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Group and company		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	5 459	3 476
Increase in loans	1 921	3 288
Decrease in loans*	(1 232)	(1 305)
At the end of the year	**6 148**	**5 459**
Guarantees		
At the beginning of the year	412	—
Additional guarantees granted	1 188	412
Decrease in guarantees*	(412)	—
At the end of the year	**1 188**	**412**
Deposits		
At the beginning of the year	(6 131)	(8 767)
Increase in deposits	(3 239)	(4 914)
Decrease in deposits*	4 170	7 550
At the end of the year	**(5 200)**	**(6 131)**

* Decrease includes changes in leadership during the current year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

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48. Related party transactions (continued)

For the year ended 31 March 2021 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	—	11 348	11 348
Bank debt securities	9 885	—	9 885
Derivative financial instruments	—	833	833
Other loans and advances	38 921	—	38 921
Other assets	—	3 867	3 867
Liabilities			
Deposits by banks	—	31 617	31 617
Repurchase agreements and cash collateral on securities lent	—	18 342	18 342
Derivative financial instruments	1 488	8 862	10 350
Customer accounts (deposits)	162 963	7 359	170 322
Debt securities in issue	—	29 133	29 133
Other liabilities	—	5 241	5 241

For the year ended 31 March 2020 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	—	9 258	9 258
Bank debt securities	9 881	—	9 881
Derivative financial instruments	259	3 616	3 875
Other loans and advances	74 534	—	74 534
Other assets	—	23 035	23 035
Liabilities			
Deposits by banks	—	67 107	67 107
Repurchase agreements and cash collateral on securities lent	—	21 423	21 423
Derivative financial instruments	776	10 787	11 563
Customer accounts (deposits)	225 580	8 058	233 638
Debt securities in issue	—	43 312	43 312
Other liabilities	—	42 217	42 217

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

In the normal course of business, services are provided between Investec Bank plc and other companies in the group. In the year to 31 March 2021, Investec Bank plc paid £12.3 million (2020: £20.7 million) to Investec Limited group and its fellow subsidiaries and received £0.3 million (2020: £7.5 million) from Investec plc and its fellow subsidiaries for these services.

During the year to 31 March 2021, Investec Wealth & Investment Limited paid a net amount of £22 400 for research services provided by Grovepoint (UK) Limited (2020: paid a net amount of £15 500 for research services provided by Grovepoint (UK) Limited). Bradley Fried is a former director of Investec Bank plc, and is a current director of Grovepoint (UK) Limited.

During the year to 31 March 2021, interest of £2.1 million (2020: £3.1 million) was paid to entities in the Investec Limited group and £2.7 million (2020: £4.3 million) was paid to Investec plc and fellow subsidiaries. Interest of £90 000 (2020: £360 000) was received from the Investec Limited group and interest of £2.3 million (2020: £4.3 million) was received from Investec plc and fellow subsidiaries.

There are no amounts due from associates and joint venture holdings in the current or prior year.

During the year to 31 March 2021, Investec Bank plc received income from the Ninety One group (an associate of the Investec DLC group) of £342 000 (2020: £911 000) from premises subleases (which ceased during the year) and income of £8 000 (2020: £nil) relating to other business services provided to the Ninety One group. In addition, £292 000 of customer accounts (deposits) from the Ninety One group are held on balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Related party transactions (continued)

Balances and transactions between members of the Investec Bank plc group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the company and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the group.

The company, as a result of its position as parent of a banking group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the company as follows:

For the year ended 31 March £'000	2021	2020
Company		
Assets		
Other debt securities	722 933	520 103
Derivative financial instruments	11 727	49 291
Other loans and advances	2 681 537	2 553 506
Other assets	30 270	34 613
Liabilities		
Deposits by banks	217 804	249 451
Derivative financial instruments	19 237	28 883
Customer accounts (deposits)	1 428 042	1 126 981
Other liabilities	35 102	34 306

Balances and transactions with Investec plc and Investec Limited and fellow subsidiaries of Investec Bank plc

The company and its subsidiaries have balances due to and from its parent company, Investec plc, and Investec Limited and fellow subsidiaries. These are included on the balance sheet as follows:

For the year ended 31 March 2021 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	—	21 427	21 427
Other debt securities	9 884	—	9 884
Derivative financial instruments	—	829	829
Other loans and advances	38 951	—	38 951
Other assets	12 537	2 269	14 806
Liabilities			
Deposits by banks	—	1 576	1 576
Repurchase agreements and cash collateral on securities lent	—	18 342	18 342
Derivative financial instruments	1 488	8 851	10 339
Customer accounts (deposits)	139 970	7 882	147 852
Other liabilities	3 064	5 044	8 108

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48. Related party transactions (continued)

For the year ended 31 March 2020 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	—	7 803	7 803
Other debt securities	9 881	—	9 881
Derivative financial instruments	259	3 616	3 875
Other loans and advances	74 571	—	74 571
Other assets	—	18 095	18 095
Liabilities			
Deposits by banks	—	2 183	2 183
Repurchase agreements and cash collateral on securities lent	—	21 423	21 423
Derivative financial instruments	776	10 787	11 563
Customer accounts (deposits)	206 778	8 057	214 835
Other liabilities	3 675	42 217	45 892

49. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group							
2021							
Assets	Interest rate swap	2 826 737	(25 225)	(21 545)	26 900	21 895	(26 623)
Liabilities	Interest rate swap	401 899	(445)	(445)	(1 582)	469	1 760
		3 228 636	**(25 670)**	**(21 990)**	**25 318**	**22 364**	**(24 863)**
2020							
Assets	Interest rate swap	2 709 729	(52 184)	(48 139)	(35 149)	48 140	35 276
Liabilities	Interest rate swap	142 739	831	831	(71)	(913)	(38)
		2 852 468	**(51 353)**	**(47 308)**	**(35 220)**	**47 227**	**35 238**

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but original hedging instrument remains in place.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Hedges (continued)
Included within balance sheet management and other trading activities in the income statement is a £0.1 million gain (2020: £0.2 million gain) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

At 31 March £'000	Carrying amount of the hedged item 2021	2020
Hedged items		
Group		
Assets		
Sovereign debt securities	78 841	42 066
Other debt securities	15 201	22 021
Loans and advances to customers	2 600 554	1 352 046
Other assets	141 426	185 206
Liabilities		
Debt securities in issue	358 353	—
Customer accounts (deposits)	43 077	141 886

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged item							
Group							
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	**89 285**
Other debt securities	—	—	—	1 770	13 224	—	**14 994**
Loans and advances to customers	—	2 254	18 421	73 955	2 125 771	362 140	**2 582 541**
Other assets	2 277	4 566	6 894	14 000	113 689	—	**141 426**
Liabilities – notionals							
Debt securities in issue	—	—	—	—	353 894	5 292	**359 186**
Customer accounts (deposits)	—	—	35 004	2 000	5 710	—	**42 714**
2020							
Assets – notionals							
Sovereign debt securities	—	—	—	—	40 171	—	40 171
Other debt securities	—	—	—	—	22 170	(417)	21 753
Loans and advances to customers	—	106	880	2 287	1 191 322	131 774	1 326 369
Other assets	1 629	4 841	7 315	14 851	131 037	25 533	185 206
Liabilities – notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	141 209

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CONTINUED

49. Hedges (continued)

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Company							
2021							
Assets	Interest rate swap	2 686 822	(17 629)	(17 629)	22 040	17 922	(21 723)
Liabilities	Interest rate swap	401 899	(445)	(445)	(1 582)	469	1 760
		3 088 721	**(18 074)**	**(18 074)**	**20 458**	**18 391**	**(19 963)**
2020							
Assets	Interest rate swap	2 524 523	(39 363)	(39 363)	(26 373)	39 267	26 403
Liabilities	Interest rate swap	142 739	831	831	(71)	(913)	(38)
		2 667 262	**(38 532)**	**(38 532)**	**(26 444)**	**38 354**	**26 365**

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but original hedging instrument remains in place.

Included within balance sheet management and other trading activities in the income statement is a £0.1 million gain (2020: £0.2 million gain) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

At 31 March £'000	Carrying amount of the hedged item 2021	2020
Hedged items		
Company		
Assets		
Sovereign debt securities	78 841	42 066
Other debt securities	15 201	22 021
Loans and advances to customers	2 600 554	1 352 046
Liabilities		
Debt securities in issue	358 353	—
Customer accounts (deposits)	43 077	141 886

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49. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged item							
Company							
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	**89 285**
Other debt securities	—	—	—	1 770	13 224	—	**14 994**
Loans and advances to customers	—	2 254	18 421	73 955	2 125 771	362 140	**2 582 541**
Liabilities – notionals							
Debt securities in issue	—	—	—	—	353 894	5 292	**359 186**
Customer accounts (deposits)	—	—	35 004	2 000	5 710	—	**42 714**
2020							
Assets – notionals							
Sovereign debt securities	—	—	—	—	40 171	—	40 171
Other debt securities	—	—	—	—	22 170	(417)	21 753
Loans and advances to customers	—	106	880	2 287	1 191 322	131 774	1 326 369
Liabilities – notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	141 209

Hedges of net investments in foreign operations

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	2021	2020
Group		
Hedging instrument positive fair value	(145)	(191)
Hedging instrument negative fair value	—	20

There was no ineffective portion recognised in the income statement for the current or prior year.

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50. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2021								
Liabilities								
Deposits by banks	253 637	51 012	1 318	2 439	718 396	366 502	—	1 393 304
Derivative financial instruments	453 529	56 987	60 624	59 000	96 280	216 676	15 405	958 501
Derivative financial instruments – held for trading	197 477	—	—	—	—	—	—	197 477
Derivative financial instruments – held for hedging risk	256 052	56 987	60 624	59 000	96 280	216 676	15 405	761 024
Other trading liabilities	49 055	—	—	—	—	—	—	49 055
Repurchase agreements and cash collateral on securities lent	55 767	53 869	—	—	47 721	—	—	157 357
Customer accounts (deposits)	6 269 767	873 778	2 776 876	3 308 620	1 140 326	1 823 937	118 975	16 312 279
Debt securities in issue	30 327	8 448	58 692	58 254	101 089	942 083	30 620	1 229 513
Liabilities arising on securitisation of other assets	—	—	2 348	2 178	4 256	31 307	85 503	125 592
Other liabilities*	74 028	463 147	68 727	87 122	111 759	349 903	62 532	1 217 218
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on balance sheet liabilities	**7 186 110**	**1 507 241**	**2 968 585**	**3 535 463**	**2 557 430**	**3 801 808**	**786 585**	**22 343 222**
Contingent liabilities	1 206	6 114	381	8 879	26 123	217 423	37 785	297 911
Commitments	138 360	145 179	23 633	40 096	145 149	1 061 267	463 860	2 017 544
Total liabilities	**7 325 676**	**1 658 534**	**2 992 599**	**3 584 438**	**2 728 702**	**5 080 498**	**1 288 230**	**24 658 677**

* Included within other liabilities are £571 million of non-financial instruments scoped out of IFRS 9.

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows please refer to pages 91 to 92.

NOTES TO THE FINANCIAL STATEMENTS
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50. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March **£'000**	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2020^								
Liabilities								
Deposits by banks	131 751	4 195	2 066	4 134	82 168	1 257 064	599	1 481 977
Derivative financial instruments	373 627	100 155	198 561	111 821	116 493	228 304	66 988	1 195 949
Derivative financial instruments – held for trading	136 166	—	—	—	—	—	—	136 166
Derivative financial instruments – held for hedging risk	237 461	100 155	198 561	111 821	116 493	228 304	66 988	1 059 783
Other trading liabilities	118 572	—	—	—	—	—	—	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	—	52 844	—	396 811
Customer accounts (deposits)	4 930 577	800 965	2 356 702	3 407 189	1 356 220	2 345 742	385 604	15 582 999
Debt securities in issue	43 312	(4 145)	10 083	13 340	57 119	769 016	235 222	1 123 947
Liabilities arising on securitisation of other assets	—	—	3 305	3 197	6 120	40 159	77 075	129 856
Other liabilities*	69 632	899 709	79 990	43 267	66 360	288 805	235 603	1 683 366
Subordinated liabilities	—	—	—	17 850	29 641	409 003	491 400	947 894
Total on balance sheet liabilities	**5 714 795**	**1 822 558**	**2 915 670**	**3 610 799**	**1 714 121**	**5 390 937**	**1 492 491**	**22 661 371**
Contingent liabilities	4 728	842	28 895	32 211	30 564	182 225	66 748	346 213
Commitments	233 553	9 315	13 677	94 663	113 302	818 994	276 063	1 559 567
Total liabilities	**5 953 076**	**1 832 715**	**2 958 242**	**3 737 673**	**1 857 987**	**6 392 156**	**1 835 302**	**24 567 151**

^ Restated as detailed in note 57.

* Included within other liabilities are £591 million of non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2021								
Liabilities								
Deposits by banks	431 813	51 012	386	1 501	638 143	366 502	—	1 489 357
Derivative financial instruments	428 149	54 037	56 348	56 265	88 792	211 609	15 046	910 246
Derivative financial instruments – held for trading	172 116	—	—	—	—	—	—	172 116
Derivative financial instruments – held for hedging risk	256 033	54 037	56 348	56 265	88 792	211 609	15 046	738 130
Other trading liabilities	49 055	—	—	—	—	—	—	49 055
Repurchase agreements and cash collateral on securities lent	55 767	53 869	—	—	47 721	—	—	157 357
Customer accounts (deposits)	4 851 439	873 393	2 363 014	3 305 600	1 290 643	2 762 275	118 960	15 565 324
Debt securities in issue	—	7 055	60 084	58 254	101 089	942 083	30 620	1 199 185
Other liabilities*	64 691	251 196	13 775	68 749	57 858	50 422	25 914	532 605
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on balance sheet liabilities	**5 880 914**	**1 290 562**	**2 493 607**	**3 508 219**	**2 561 849**	**4 404 291**	**664 090**	**20 803 532**
Contingent liabilities	1 797	6 114	—	8 495	24 918	201 927	37 785	281 036
Commitments	16 521	131 622	23 605	42 050	133 194	1 051 634	463 847	1 862 473
Total liabilities	**5 899 232**	**1 428 298**	**2 517 212**	**3 558 764**	**2 719 961**	**5 657 852**	**1 165 722**	**22 947 041**

* Included within other liabilities are £153 million of non-financial instruments scoped out of IFRS 9.

The balances in the above table will not agree directly to the balances in the company balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

NOTES TO THE FINANCIAL STATEMENTS
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50. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2020^								
Liabilities								
Deposits by banks	306 925	4 171	713	2 943	79 900	1 165 217	599	1 560 468
Derivative financial instruments	327 044	98 646	194 066	109 380	111 323	226 526	66 968	1 133 953
Derivative financial instruments – held for trading	89 499	—	—	—	—	—	—	89 499
Derivative financial instruments – held for hedging risk	237 545	98 646	194 066	109 380	111 323	226 526	66 968	1 044 454
Other trading liabilities	118 572	—	—	—	—	—	—	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	—	52 844	—	396 811
Customer accounts (deposits)	4 149 046	762 721	1 935 448	3 419 179	1 537 577	2 455 256	376 397	14 635 624
Debt securities in issue	—	(4 865)	10 803	13 340	57 119	767 822	235 222	1 079 441
Other liabilities*	87 009	611 740	33 042	21 157	14 108	65 856	38 394	871 306
Subordinated liabilities	—	—	—	17 850	29 641	409 003	491 400	947 894
Total on balance sheet liabilities	**5 035 920**	**1 494 092**	**2 439 035**	**3 593 850**	**1 829 668**	**5 142 524**	**1 208 980**	**20 744 069**
Contingent liabilities	5 570	842	28 574	32 120	28 033	159 786	66 748	321 673
Commitments	87 041	8 822	12 145	91 581	106 541	780 322	275 765	1 362 217
Total liabilities	**5 128 531**	**1 503 756**	**2 479 754**	**3 717 551**	**1 964 242**	**6 082 632**	**1 551 493**	**22 427 959**

^ Restated as detailed in note 57.

* Included within other liabilities are £127 million of non-financial instruments scoped out of IFRS 9.

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51. Principal subsidiaries and associated companies – Investec Bank plc

			Interest	
At 31 March	Principal activity	Country of incorporation	**2021**	2020
Direct subsidiaries of Investec Bank plc				
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution and wealth manager	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment holding	Hong Kong	100.0%	100.0%
Investec Finance Limited	Debt issuer	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100.0%	100.0%
Indirect subsidiary undertakings of Investec Bank plc				
Investec Europe Limited	MiFiD Firm	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 29.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note 58 on pages 293 to 297.

Consolidated structured entities

Investec Bank plc has no equity interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Cavern Funding 2020 Plc	Securitised auto receivables
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 28.

Details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 84.

NOTES TO THE FINANCIAL STATEMENTS
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51. Principal subsidiaries and associated companies – Investec Bank plc (continued)

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The group has securitised a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity-like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £86 million (2020: £98.7 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the group is discussed in the risk management report on pages 104 to 105.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 20 and 54.

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51. Principal subsidiaries and associated companies – Investec Bank plc (continued)
Structured associates
The group has investments in a number of structured funds specialising in aircraft financing where the group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the group has significant influence over the fund and therefore the funds are treated as associates.

The group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the group/income earned
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

31 March 2021 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	8 550	Limited to the carrying value	Investment income	204

31 March 2020 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	4 721	Limited to the carrying value	Investment loss	(33)

52. Unconsolidated structured entities
The table below describes the types of structured entities that the group does not consolidate, but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 188 to 198.

Type of structured entity	Nature and purpose	Interest held by the group/income earned
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

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52. Unconsolidated structured entities (continued)

The table below sets out an analysis of the carrying amounts held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

31 March 2021 **£'000**	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss of the group**	**Total assets of the entity £'000**	**Income earned from structured entity**	**£'000**
Investment funds	Investment portfolio	193	Limited to the carrying value	—	Investment loss	(61)
Residential mortgage securitisations	Other loans and advances	627	Limited to the carrying value	1 583	Net interest expense	134

31 March 2020 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	140	Limited to the carrying value	4 585	Investment loss	—
Residential mortgage securitisations	Other debt securities	418	Limited to the carrying value	69 389	Net interest expense	(1)
					Investment loss	(13)
	Other loans and advances	1 224	Limited to the carrying value	2 887	Net interest expense	(32)

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year, the group has not provided any such support and does not have any current intentions to do so in the future.

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52. Unconsolidated structured entities (continued)

Sponsoring

The group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

The table below sets out information in respect of structured entities that the group sponsors, but in which the group does not have an interest.

Structured entities with no interest held

	2021	2020
	Structured CDO and CLO securitisation^	Structured CDO and CLO securitisation^
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

^ Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 84.

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53. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Group						
2021						
Assets						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 383 602	—	1 383 602	—	(124 649)	1 258 953
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	1 108 253	—	1 108 253	(232 592)	—	875 661
Bank debt securities	48 044	—	48 044	—	—	48 044
Other debt securities	708 845	—	708 845	—	—	708 845
Derivative financial instruments	773 334	—	773 334	(299 446)	(144 900)	328 988
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	350 941	—	350 941	—	—	350 941
Loans and advances to customers	12 316 313	—	12 316 313	—	—	12 316 313
Other loans and advances	162 456	—	162 456	—	(4 628)	157 828
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 395 915	—	1 395 915	—	—	1 395 915
	23 744 873	**—**	**23 744 873**	**(713 982)**	**(317 457)**	**22 713 434**
Liabilities						
Deposits by banks	1 352 279	—	1 352 279	—	(219 441)	1 132 838
Derivative financial instruments	916 352	—	916 352	(532 037)	(63 783)	320 532
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	16 240 634	—	16 240 634	—	(29 335)	16 211 299
Debt securities in issue	1 193 378	—	1 193 378	(118 690)	(347)	1 074 341
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 183 862	—	1 183 862	—	—	1 183 862
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	21 972 679	**—**	**21 972 679**	**(713 982)**	**(317 457)**	**20 941 240**

* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset*		
At 31 March **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Group						
2020^						
Assets						
Cash and balances at central banks	2 277 318	—	2 277 318	—	—	2 277 318
Loans and advances to banks	1 793 867	—	1 793 867	—	(469 858)	1 324 009
Reverse repurchase agreements and cash collateral on securities borrowed	2 458 822	—	2 458 822	(220 931)	(2 866)	2 235 025
Sovereign debt securities	1 084 958	—	1 084 958	(237 461)	—	847 497
Bank debt securities	51 238	—	51 238	—	—	51 238
Other debt securities	695 818	—	695 818	—	—	695 818
Derivative financial instruments	1 250 994	—	1 250 994	(358 904)	(92 796)	799 294
Securities arising from trading activities	256 645	—	256 645	(156 113)	—	100 532
Investment portfolio	350 662	—	350 662	—	(1 849)	348 813
Loans and advances to customers	11 834 207	—	11 834 207	—	—	11 834 207
Other loans and advances	266 501	—	266 501	—	(29 513)	236 988
Other securitised assets	106 218	—	106 218	—	—	106 218
Other assets	1 457 556	—	1 457 556	—	—	1 457 556
	23 884 804	**—**	**23 884 804**	**(973 409)**	**(596 882)**	**22 314 513**
Liabilities						
Deposits by banks	1 450 463	—	1 450 463	—	(97 479)	1 352 984
Derivative financial instruments	1 147 525	—	1 147 525	(596 365)	(402 222)	148 938
Other trading liabilities	118 572	—	118 572	(112 630)	—	5 942
Repurchase agreements and cash collateral on securities lent	396 811	—	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	15 505 883	—	15 505 883	—	(60 581)	15 445 302
Debt securities in issue	1 026 474	—	1 026 474	(216 831)	(3 084)	806 559
Liabilities arising on securitisation of other assets	110 679	—	110 679	—	—	110 679
Other liabilities	1 630 764	—	1 630 764	—	(1 849)	1 628 915
Subordinated liabilities	787 030	—	787 030	—	—	787 030
	22 174 201	**—**	**22 174 201**	**(973 409)**	**(596 882)**	**20 603 910**

^ Restated as detailed in note 57.

* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

53. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Company						
2021						
Assets						
Cash and balances at central banks	2 993 119	—	2 993 119	—	—	2 993 119
Loans and advances to banks	454 596	—	454 596	—	(61 847)	392 749
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	542 016	—	542 016	(232 592)	—	309 424
Bank debt securities	43 781	—	43 781	—	—	43 781
Other debt securities	1 401 707	—	1 401 707	—	—	1 401 707
Derivative financial instruments	742 869	—	742 869	(295 041)	(144 209)	303 619
Securities arising from trading activities	278 074	—	278 074	(59 977)	—	218 097
Investment portfolio	67 948	—	67 948	—	—	67 948
Loans and advances to customers	9 360 090	—	9 360 090	—	—	9 360 090
Other loans and advances	2 813 729	—	2 813 729	—	(4 628)	2 809 101
Other securitised assets	5 774	—	5 774	—	—	5 774
Other assets	702 351	—	702 351	—	—	702 351
	21 471 286	**—**	**21 471 286**	**(709 577)**	**(253 964)**	**20 507 745**
Liabilities						
Deposits by banks	1 451 745	—	1 451 745	—	(158 533)	1 293 212
Derivative financial instruments	885 793	—	885 793	(527 632)	(61 576)	296 585
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	15 493 774	—	15 493 774	—	(28 957)	15 464 817
Debt securities in issue	1 163 050	—	1 163 050	(118 690)	(347)	1 044 013
Other liabilities	528 547	—	528 547	—	—	528 547
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	20 500 802		**20 500 802**	**(709 577)**	**(253 964)**	**19 537 261**

* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Company						
2020^						
Assets						
Cash and balances at central banks	2 235 286	—	2 235 286	—	—	2 235 286
Loans and advances to banks	988 928	—	988 928	—	(402 773)	586 155
Reverse repurchase agreements and cash collateral on securities borrowed	2 458 822	—	2 458 822	(220 931)	(2 866)	2 235 025
Sovereign debt securities	540 554	—	540 554	(237 461)	—	303 093
Bank debt securities	51 238	—	51 238	—	—	51 238
Other debt securities	1 177 064	—	1 177 064	—	—	1 177 064
Derivative financial instruments	1 242 166	—	1 242 166	(358 904)	(92 796)	790 466
Securities arising from trading activities	250 445	—	250 445	(156 113)	—	94 332
Investment portfolio	61 075	—	61 075	—	—	61 075
Loans and advances to customers	8 857 194	—	8 857 194	—	—	8 857 194
Other loans and advances	2 749 651	—	2 749 651	—	(29 513)	2 720 138
Other securitised assets	6 137	—	6 137	—	—	6 137
Other assets	704 623	—	704 623	—	—	704 623
	21 323 183	**—**	**21 323 183**	**(973 409)**	**(527 948)**	**19 821 826**
Liabilities						
Deposits by banks	1 537 317	—	1 537 317	—	(30 394)	1 506 923
Derivative financial instruments	1 135 149	—	1 135 149	(596 365)	(402 222)	136 562
Other trading liabilities	118 572	—	118 572	(112 630)	—	5 942
Repurchase agreements and cash collateral on securities lent	396 811	—	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	14 559 110	—	14 559 110	—	(60 581)	14 498 529
Debt securities in issue	981 968	—	981 968	(216 831)	(3 084)	762 053
Other liabilities	869 225	—	869 225	—	—	869 225
Subordinated liabilities	787 030	—	787 030	—	—	787 030
	20 385 182	**—**	**20 385 182**	**(973 409)**	**(527 948)**	**18 883 825**

^ Restated as detailed in note 57.

* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

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54. Derecognition
Group

Transfer of financial assets that do not result in derecognition
The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2021		2020	
No derecognition achieved £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	648 612	—	670 902	—
Loans and advances to banks	113 864	—	81 000	—
	762 476	**—**	**751 902**	**—**

The transferred assets above in both current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating on these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 20.

Company

The company has not been party to transactions that resulted in a transfer of financial assets that did not result in derecognition.

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55. Investment in subsidiary companies

At 31 March £'000	2021	2020
Cost		
At the beginning of the year	963 194	969 447
Acquisitions of subsidiaries	50	—
Deconsolidation of subsidiary	—	(59)
Return of capital by subsidiary	—	(18 736)
Recapitalisation of subsidiaries	—	12 499
Exchange adjustments	(65)	43
At the end of the year	**963 179**	**963 194**
Provision for impairment in value		
At the beginning of the year	(104 908)	(104 908)
Impairment of subsidiaries	(12 432)	—
At the end of the year	**(117 340)**	**(104 908)**
Carrying value at the end of the year	**845 839**	**858 286**

All subsidiary undertakings are unlisted.

During the year, impairments of £12.4 million relating to two subsidiaries were recognised, as the cost of investments exceeded the recoverable amounts, based on financial budgets approved by management.

56. Subsequent events

The group has considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Despite the uncertainty caused by the COVID-19 pandemic, management is satisfied that there were no such items identified of sufficient significance to warrant additional disclosure.

The group is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS
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57. Restatements

Income statement restatements

Depreciation on operating leased assets

Depreciation on operating leased assets of £0.7 million (31 March 2020: £1.4 million), which was previously reported as a separate line item, has been included in operating costs. The prior year has been restated to reflect the same basis.

Balance sheet restatements

Current taxation assets and other assets

Current taxation assets of £42.6 million (31 March 2020: £4.6 million), company £39.2 million (31 March 2020: £1.3 million), which were previously reported within other assets, are now reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. The prior year has been re-presented to reflect the same basis.

Software and other acquired intangible assets

Software of £7.8 million (31 March 2020: £7.0 million), company £0.5 million (31 March 2020: £1.1 million), which was previously reported within intangible assets, is now reported as a separate line item. The prior year has been re-presented to reflect the same basis. The re-presentation of software was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

Gilts and Total Return Swaps reclassification

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

	Group			Company		
£'000	At 31 March 2020 as previously reported	Reclassification	At 31 March 2020 restated	At 31 March 2020 as previously reported	Reclassification	At 31 March 2020 restated
Assets						
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	831 576	2 458 822	1 627 246	831 576	2 458 822
Sovereign debt securities	1 688 670	(603 712)	1 084 958	1 144 266	(603 712)	540 554
Derivative financial instruments	1 251 394	(400)	1 250 994	1 242 566	(400)	1 242 166
Securities arising from trading activities	582 693	(326 048)	256 645	576 493	(326 048)	250 445
Total assets	**24 669 539**	**(98 584)**	**24 570 955**	**22 465 108**	**(98 584)**	**22 366 524**
Liabilities						
Derivative financial instruments	1 246 109	(98 584)	1 147 525	1 233 733	(98 584)	1 135 149
Total liabilities	**22 338 367**	**(98 584)**	**22 239 783**	**20 505 993**	**(98 584)**	**20 407 409**

	Group			Company		
£'000	At 31 March 2019 as previously reported	Reclassification	At 31 March 2019 restated	At 31 March 2019 as previously reported	Reclassification	At 31 March 2019 restated
Assets						
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	660 017	1 293 219	633 202	660 017	1 293 219
Sovereign debt securities	1 298 947	(318 798)	980 149	725 756	(318 798)	406 958
Derivative financial instruments	642 530	(326)	642 204	587 326	(326)	587 000
Securities arising from trading activities	798 224	(369 104)	429 120	791 107	(369 104)	422 003
Total assets	**22 121 020**	**(28 211)**	**22 092 809**	**20 582 136**	**(28 211)**	**20 553 925**
Liabilities						
Derivative financial instruments	719 027	(28 211)	690 816	680 878	(28 211)	652 667
Total liabilities	**19 957 792**	**(28 211)**	**19 929 581**	**18 748 951**	**(28 211)**	**18 720 740**

Cash flow statement restatements

As at 31 March 2021, amounts previously reported within loans and advances to banks have been correctly presented as cash and cash equivalents. This change has been made to include items previously reported as loans and advances to banks identified as short term in nature, with a maturity date of less than three months, which therefore meet the definition of cash and cash equivalents. The change in the prior year for group was £0.6 billion, from £1.1 billion to £1.7 billion (company: £0.3 billion, from £0.6 billion to £0.9 billion) in on demand loans and advances to banks.

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58. Subsidiaries

At 31 March 2021	Principal activity	Interest held
*Directly owned by Investec Bank plc		
United Kingdom Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee services	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
PIF Investments Limited*	Dormant	100%
Beeson Gregory Index Nominees Limited*	Dormant nominee company	100%
EVO Nominees Limited*	Dormant nominee company	100%
Evolution Securities Nominees Limited*	Dormant nominee company	100%
IEC UK Investment Management Limited*	Leasing company	100%
The Leasing Acquisition General Partnership*	Leasing partnership	n/a
Investec Finance Limited*	Debt issuance	100%
Investec Group Investments (UK) Limited*	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc*	Debt issuer	100%
Investec Investments (UK) Limited*	Investment holding company	100%
Inv-German Retail Limited	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited*	Nominee	100%
Torteval LM Limited*	Investment holding company	100%
Torteval Funding LLP*	Financing company	100%
Tudor Tree Properties Limited*	Property company	100%
Willbro Nominees Limited*	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Capital Solutions No 1 Limited*	Lending company	100%
Investec Capital Solutions Limited*	Lending company	100%
Diagonal Nominees Limited*	Nominee company	100%
F&K SPF Limited*	Property company	100%
Nars Holdings Limited	Holding company	100%
Nars Operating Limited	Holding company	100%

NOTES TO THE FINANCIAL STATEMENTS
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58. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
PSV Marine Limited*	Shipping holding company	100%
PSV Anjali Limited	Shipping holding company	100%
PSV Randeep Limited	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	100%
Registered office: 30 Gresham Street, London EC2V 7QN, UK		
Investec Wealth & Investment Limited*	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc*	Leasing company	100%
Investec Asset Finance (No.8) Limited	Holding company	100%
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Holdings Australia Limited*	Holding company	100%
Investec Australia Property Investments Pty Limited	Holding company for property investment	100%
Investec Australia Finance Limited	Lending company	100%
Investec Australia Limited	Financial services	100%
Bowden (Lot 32) Holdings Pty Limited	Holding company	100%
Bowden (Lot 32) Direct Pty Limited	Development company	100%
Investec Australia Direct Investments Pty Limited	Investment holding company	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
IEC Funds Management Pty Limited	Fund manager	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%
Investec Credit Funds Management Pty Limited	Trustee company	100%

NOTES TO THE FINANCIAL STATEMENTS
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58. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
British Virgin Islands **Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands**		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
Cayman Islands **Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005**		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
China **Registered office: Room 6D-67, 6th Floor, No. 213 Building, Tairan Science and Technology Park, Tairan 4th Road, Tianan Community, Shatou Sub-District, Futian District, Shenzhen, Guangdong, China**		
Investec Shenzhen Limited	Dormant	100%
France **Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, FRANCE**		
SCI CAP Philippe*	Property company	100%
Guernsey **Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands**		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited *	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Bayeux Limited	Corporate director	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Corporate director	100%

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58. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Hong Kong		
Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong		
Investec Capital Asia Limited *	Investment banking	100%
Investec Capital Markets Limited *	Investment banking	100%
India		
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Global Services Private Limited	Technical support company	100%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited*	Property company	100%
Investec Holdings (Ireland) Limited*	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Private Finance Ireland Limited	Retail credit firm	100%
Investec Ventures Ireland Limited	Venture capital	100%
Venture Fund Private Principals Limited	Special partner	100%
Investec Europe Limited	MiFiD firm	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Limited	Securities services	100%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

58. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
Switzerland **Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland**		
Investec Bank (Switzerland) AG*	Banking institution and wealth manager	100%
United States of America **Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA**		
US Multifamily GP LLC*	Investment holding company	100%
Investec USA Holdings Corporation Inc*	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC Investment	Investment holding company	100%
Fuel Cell IP 2 LLC Investment	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%

Associates and joint venture holdings

At 31 March 2021	Principal activity	Interest held
Australia **Registered office: Point Cook Road, Point Cook, Victoria, Australia**		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands **Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands**		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg **Registered office: 15, Rue Bender, L1229 Luxembourg**		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
India **Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India**		
JSM Advisers Private Limited	Fund management company	55%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

59. Investec Bank plc company risk disclosures

Investec Bank plc company follows the group risk policies and appetite disclosure on pages 48 to 62. The market risk in the trading book is the same at the group and company level, the disclosure is made on pages 85 to 88. The following tables present the risk disclosures for the company which are required under IFRS 7. Equivalent Investec Bank plc group disclosures can be found on page 63, page 71 and page 83.

An analysis of gross core loans, asset quality and ECL

£'million	31 March 2021	31 March 2020
Loans and advances to customers per the balance sheet	9 360	8 857
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(1)
Net core loans	**9 355**	**8 856**
of which amortised cost and FVOCI ('subject to ECL')	8 870	8 256
of which FVPL	485	600
Add: ECL	125	134
Gross core loans	**9 480**	**8 990**
of which amortised cost and FVOCI ('subject to ECL')	8 995	8 390
of which FVPL	485	600

£'million	31 March 2021	31 March 2020
Gross core loans	**9 480**	**8 990**
Gross core loans at FVPL	485	600
Gross core loans subject to ECL	**8 995**	**8 390**
Stage 1	7 831	7 697
Stage 2	893	413
of which past due greater than 30 days	52	25
Stage 3	271	280
of which Ongoing (excluding Legacy) Stage 3*	193	174
ECL	**(125)**	**(134)**
Stage 1	(17)	(23)
Stage 2	(29)	(23)
Stage 3	(79)	(88)
of which Ongoing (excluding Legacy) Stage 3*	(44)	(45)
Coverage ratio		
Stage 1	0.22%	0.30%
Stage 2	3.2%	5.6%
Stage 3	29.2%	31.4%
of which Ongoing (excluding Legacy) Stage 3*	22.8%	25.9%
Credit loss ratio	**0.69%**	**0.67%**
ECL impairment charges on core loans	(60)	(52)
Average gross core loans subject to ECL	8 693	7 754
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	192	192
of which Ongoing (excluding Legacy) Stage 3*	149	129
Aggregate collateral and other credit enhancements on Stage 3	196	194
Stage 3 as a % of gross core loans subject to ECL	3.0%	3.3%
of which Ongoing (excluding Legacy) Stage 3*	2.1%	2.1%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.2%	2.3%
of which Ongoing (excluding Legacy) Stage 3*	1.7%	1.6%

* Refer to definitions on page 301.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

59. Investec Bank plc company risk disclosures (continued)

An analysis of gross credit and counterparty exposures

£'million	31 March 2021	31 March 2020*
Cash and balances at central banks	2 993	2 235
Loans and advances to banks	455	989
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	2 459
Sovereign debt securities	542	540
Bank debt securities	44	51
Other debt securities	1 403	1 178
Derivative financial instruments	703	1 001
Securities arising from trading activities	28	172
Loans and advances to customers	9 480	8 990
Other loans and advances	2 814	2 750
Other securitised assets	6	6
Other assets	340	92
Total on-balance sheet exposures	**20 873**	**20 463**
Guarantees	44	76
Committed facilities related to loans and advances to customers	1 758	1 275
Contingent liabilities, letters of credit and other	237	246
Total off-balance sheet exposures	**2 039**	**1 597**
Total gross credit and counterparty exposures	**22 912**	**22 060**

* Restated as detailed in note 57.

Summary of investments held and stress testing analyses

£'million Category	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments	65	10	59	8
Listed equities	3	1	2	1
Total investment portfolio	**68**	**11**	**61**	**9**
Trading properties	—	—	4	1
Warrants and profit shares	5	2	2	1
Total	**73**	**13**	**67**	**11**

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

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 31 March 2021, as reflected above, we could have a £13 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high.

ALTERNATIVE PERFORMANCE MEASURES

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

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

Adjusted operating profit — Refer to the calculation in the table below for the Group

£'000	31 March 2021	31 March 2020
Operating profit before goodwill, acquired intangibles and strategic actions	107 440	174 468
Add: Loss/(profit) attributable to non-controlling interests	861	(864)
Adjusted operating profit	108 301	173 604

Annuity income — Net interest income plus net annuity fees and commissions

Refer to pages 201 and 202.

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

£'million	31 March 2021	31 March 2020
Loans and advances to customers per the balance sheet	12 316	11 834
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(2)
Net core loans	**12 311**	**11 832**
of which amortised cost and FVOCI ('subject to ECL')	11 799	11 179
of which FVPL	512	653
Add: ECL	169	175
Gross core loans	**12 480**	**12 007**
of which amortised cost and FVOCI ('subject to ECL')	11 968	11 354
of which FVPL	512	653

Cost to income ratio — Refer to calculation in the table below for the Group

£'000	31 March 2021	31 March 2020
Operating costs^ (A)	757 758	707 033
Total operating income before expected credit loss impairment charges	936 332	957 207
Add: Loss/(profit) attributable to non-controlling interests	861	(864)
Total (B)	937 193	956 343
Cost to income ratio (A/B)	80.9%	73.9%

^ Restated as detailed in note 57.

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 201
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

Cash and near cash
Includes cash, near cash (other 'monetisable' assets) and Central Bank cash placements and guaranteed liquidity

ECL
Expected credit loss

Funds under management
Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and lease receivables.

Refer to page 201 for calculation

Interest-bearing liabilities
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, and lease liabilities.

Refer to page 201 for calculation

Legacy business in the UK Specialist Bank ('Legacy')
Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero
Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered.

Ongoing basis
Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

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

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 84 for detail

Subject to ECL
Includes financial assets held at amortised cost and FVOCI

GLOSSARY

ABC	Anti-bribery and corruption
ADR Forum	Arrears, Default and Recovery Forum
ALCO	Asset and Liability Committee
AML	Anti-money laundering
APRA	Australian Prudential Regulation Authority
AGM	Annual general meeting
AT1	Additional Tier 1
BBLS	Bounce Back Loan Scheme
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive
CET1	Common Equity Tier 1
CFP	Contingency funding plan
CFT	Combating the financing of terrorism
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CLO	Collateralised loan obligation
COFI Bill	Conduct of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRD IV	Capital Requirements Directive IV
CRD V	Capital Requirements Directive V
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
Euribor rate	Euro interbank offered rate
EVA	Economic Value Added
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross domestic product
Group ERC	Group Executive Risk Committee
GFSC	Guernsey Financial Services Commission
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
HNW	High net worth
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
IAPF	Investec Australia Property Fund
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP PDMRs	IBP Persons Discharging Managerial Responsibilities
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IBOR	Interbank offered rate
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
ILAAP	Internal Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LHS	Left hand side
LIBOR	London Inter-bank Offered Rate
LSE	London Stock Exchange
LTIP	Long-term incentive plan
MDR	Mandatory Disclosure Rules

GLOSSARY
CONTINUED

MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NED	non-executive director
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PDMR	Persons Discharging Managerial Responsibilities
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RLS	Recovery Loan Scheme
RWA	Risk-weighted asset
RFR	Risk-free rate
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SIPP	Self Invested Personal Pension
SMCR	Senior Management and Certification Regime
SME	Small and Medium-sized Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
sVaR	Stressed VaR
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
VR	Variable Remuneration

CORPORATE INFORMATION

Secretary and registered office
David Miller
30 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000

Website
www.investec.com

Registration number
Registration number 489604

Auditors
Ernst & Young LLP

For queries regarding information in this document

Investor Relations
Telephone (44) 20 7597 5546
e-mail: investorrelations@investec.com
Website: www.investec.com/en_gb/welcome-to-investec/about-us/investor-relations.html

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