Investec

OUT OF THE ORDINARY

Disclosure Report 2021

Investec Bank plc pillar 3 annual disclosure report

Cross reference tools

Audited information
Refers readers to information included in the Investec Bank plc Annual Report 2021

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

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ABBREVIATIONS

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

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

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Introduction

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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 our stakeholders and contributing meaningfully to our people, communities and planet.

The Investec distinction is embodied in our entrepreneurial culture, balanced 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.

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 our depth of leadership and we employ passionate, talented people who are empowered and committed to our mission and values.

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 South Africa and Mauritius, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc on the LSE (since 2002). Investec plc is a FTSE 250 company.

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

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

Regulation and supervision

IBP is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority and the PRA on a solo-consolidated basis.

IBP applies the provisions laid down in article 9 (solo-consolidation waiver) of the Capital Requirements Regulation (CRR) and therefore includes Investec Investments (UK) Limited in the solo-consolidation. IBP calculates capital resources and requirements using the Basel 3 framework, as implemented in the European Union through the CRR and the Capital Requirements Directive (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 Basel 3 framework is structured around three pillars' namely Pillar 1 minimum capital requirements, Pillar 2 supervisory review process and Pillar 3 market discipline. Pillar 3 aims to complement the other two pillars, by developing a set of disclosure requirements which will allow market participants to gauge the capital adequacy of a firm.

Policy

In accordance with article 13 and part 8 of the CRR, a sub-set of Pillar 3 disclosures covering own funds, capital requirements, credit risk, leverage and remuneration have to be published by significant subsidiaries on an individual or sub-consolidated basis. The Pillar 3 disclosures in this document are prepared in accordance with these disclosure requirements at the IBP sub-consolidated level which includes IBP and its subsidiaries (group or bank) as at 31 March 2021, with comparative figures for 31 March 2020 provided, where relevant.

The Pillar 3 disclosures are published in a standalone disclosure report and is available to view on the Investec website www.investec.com. These disclosures are published annually and are released simultaneously with the Annual Report. The Pillar 3 disclosures are governed by the IBP Pillar 3 disclosure policy, which is approved by the IBP board. The board delegates responsibility for review and approval of these disclosures to the IBP Board Risk and Capital Committee (BRCC), a delegated sub-committee of the IBP board.

Where Pillar 3 requirements are included in other disclosure reports, references are provided to the relevant pages and/or location.

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Philosophy and approach to capital and liquidity

The bank has maintained a conservative approach to liquidity and capital for many years, long before many of the regulations came into effect. The group holds capital in excess of regulatory requirements and intends to perpetuate this philosophy to ensure it remains well capitalised. At 31 March 2021, the common equity tier 1 (CET1) ratio of the group was 11.8%. As IBP is on the Standardised Approach (SA) in terms of CRD IV our risk-weighted assets (RWAs) represent a large portion of our total assets. As a result, we inherently hold more capital than firms who apply the Advanced Internal Ratings-Based Approach.

The bank has never required shareholder or government support throughout the crisis and retains one of the highest leverage ratios amongst its peers, whilst meeting the Basel 3 liquidity requirements for some time. The leverage ratio – calculated as regulatory tier 1 capital over regulatory balance sheet assets – for the group was 8.0% at 31 March 2021.

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

Liquidity remains strong with cash and near cash balances amounting to £6.9 billion (2020: £6.0 billion).

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

Regulatory environment

The UK's withdrawal from the EU

Under the terms of the UK withdrawal agreement, the UK transitional period came to an end at 11pm on 31 December 2020. The EU rules which were in force at that date (including binding technical standards) have been onshored and now form part of domestic law in the UK. 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.

UK developments

On 4 February 2021, HM Treasury issued a consultation paper providing clarity on the UK's intended approach to implementing some areas of the Basel 3 standards. It included the sections of the CRR which will be revoked in order for the PRA to implement the requirements. 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 3 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. The PRA confirmed as part of this consultation that new leverage ratio rules will only be introduced once the Financial Policy Committee (FPC) and Prudential Regulation Committee's review of the UK leverage ratio framework has been concluded. The review is expected to be completed in summer 2021.

CRD V was required to be transposed into UK law by 28 December 2020, with the majority of the requirements applying from 29 December 2020. The requirements include the approval and supervision of certain holding companies, revising the framework for applying capital buffers, amending the definition of the maximum distributable amount that constrains a firm's distributions when it uses its capital buffer; and enhanced supervisory requirements to measure, monitor and control interest rate risk in the banking book (effective 31 December 2021).

The remaining Basel 3 reforms will require implementation in the UK. The PRA has indicated they will consult in Q4 2021, with final rules expected in June 2021, six months before final implementation from 1 January 2023, in line with the BCBS timelines.

In December 2020, the FPC updated its CCyB guidance and confirmed it expected the UK CCyB rate to remain at 0% until Q4 2021. Therefore, any subsequent increases are not expected to take effect until Q4 2022 at the earliest, given the 12-month implementation lag.

International developments

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

The final Basel 3 reforms, which were scheduled to take effect from 1 January 2022 have been deferred by 1 year to 1 January 2023 with the aim of freeing up operational capacity for banks and supervisors to respond to the economic impact of COVID-19.

The revised standards include:

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

European developments
On 28 April 2020, the European Commission adopted a banking package, with the aim to ensure banks can continue to lend money to support the economy and help mitigate the significant economic impact of COVID-19. On 27 June 2020, a set of targeted "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.

Current regulatory framework

In the UK, banks are required to meet minimum capital requirements as prescribed by CRD IV for Pillar 1, namely a CET1 capital requirement of 4.5% of RWAs, a T1 capital requirement of 6% of RWAs and a TC requirement of 8% of RWAs. In addition, banks are required to meet their Pillar 2A total capital requirement, as determined by the SREP, with at least 56% CET1 capital. The PRA buffer which is also determined as part of the SREP must be supported with CET1 capital.

In line with CRD IV, UK firms are required to meet a combined buffer requirement, which is in addition to the Pillar 1 and Pillar 2A capital requirements. The combined buffer includes the Capital Conservation Buffer (CCB) and the CCyB and must be met with CET1 capital. The buffer for global systemically important institutions and the systemic risk buffer do not apply to IBP and will not be included in the combined buffer requirement.

As at 31 March 2021, IBP holds a CCB of 2.5% and an institution specific CCyB of 0.03% of RWAs. The bank's institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. At the 31 March 2021 the UK CCyB rate has remained at 0%.

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

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

Subsidiaries of IBP may be subject to additional regulations as implemented by local regulators in other relevant jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

For capital management purposes, it is the prevailing rules applied to IBP that are monitored closely. With the support of the bank's prudential advisory and reporting team, local management of each regulated entity ensures that capital remains prudently above minimum regulatory requirements at all times.

Capital and leverage ratio targets

Capital
Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. IBP has always held capital in excess of regulatory requirements and continues to remain well capitalised. Accordingly, the bank targets a minimum CET1 capital ratio of above 10%, a T1 capital ratio of above 11% and a TC adequacy ratio target in the range of 14% to 17%. These targets are set on a bank's basis and exclude the deduction of foreseeable charges and dividends as required under the CRR and EBA technical standards. These targets are continuously assessed for appropriateness.

Leverage
The bank targets a leverage ratio above 6%.

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Table 1: Capital Structure

£'million	Ref^	31 March 2021^^	31 March 2020^^#
Shareholder's equity		**2 081**	**2 061**
Shareholder's equity excluding non-controlling interests	d	2 114	2 078
Foreseeable charges and dividends^^		(25)	–
Deconsolidation of special purpose entities	d	(8)	(17)
Non-controlling interests		–	–
Non-controlling interests per balance sheet	f	0	3
Non-controlling interests excluded for regulatory purposes		0	(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	b	(298)	(315)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	a	(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	e	250	250
Tier 1 capital		**2 118**	**2 069**
Tier 2 capital		**473**	**533**
Tier 2 instrument	c	473	533
Total regulatory capital		**2 591**	**2 602**
Risk-weighted assets		**15 789**	**15 808**
Capital and leverage ratios			
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 exposure measure		**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 references refer to those included in the reconciliation of the regulatory scope balance sheet (table 2).
^^ The capital adequacy disclosures include the deduction of foreseeable charges and dividends when calculating CET1 capital. 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' CET1 ratio would be 16bps (31 March 2020: 0bps) higher on this basis.
^^^ 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 of the IBP Annual Report 2021.
* The leverage ratios are calculated on an end-quarter basis.
** IBP is not subject to the UK leverage ratio framework, however, for comparative purposes this ratio has been disclosed. This framework excludes qualifying central bank balances from the calculation of the leverage exposure measure.
° The 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).

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Management of capital and leverage

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

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

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

Basis of consolidation

The regulatory basis of consolidation differs from the basis of consolidation used for financial reporting purposes. The financial accounting position of the group is reported under IFRS and is described on page 188 of the IBP Annual Report 2021.

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

Table 2 reconciles the group's financial accounting balance sheet to the regulatory scope balance sheet. The alphabetic references included in the reconciliation provide a mapping of the balance sheet items to elements included in the capital structure table (table 1), set out on page 8.

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

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

£'million	Ref^	Accounting balance sheet	Decon-solidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet
31 March 2021					
Cash and balances at central banks		3 043	–	–	3 043
Loans and advances to banks		1 384	(63)	6	1 327
Reverse repurchase agreements and cash collateral on securities borrowed		2 065	–	–	2 065
Sovereign debt securities		1 108	–	–	1 108
Bank debt securities		48	–	–	48
Other debt securities		709	(31)	–	678
Derivative financial instruments		773	(10)	–	763
Securities arising from trading activities		282	(4)	–	278
Investment portfolio		351	(4)	–	347
Loans and advances to customers		12 316	13	–	12 329
Other loans and advances		162	135	–	297
Other securitised assets		107	–	–	107
Interests in associated undertakings		4	–	(1)	3
Deferred taxation assets of which:		110	–	–	110
– relates to losses carried forward	a	12	–	–	12
Other assets		1 439	(313)	2	1 128
Property and equipment		186	(24)	1	163
Goodwill	b	244	–	–	244
Intangible assets	b	8	–	–	8
Software	b	57	–	–	57
Investment in subsidiary companies		–	1	–	1
Total assets		**24 396**	**(300)**	**8**	**24 104**
Deposits by banks		1 352	(79)	–	1 273
Derivative financial instruments		916	(15)	–	901
Other trading liabilities		49	–	–	49
Repurchase agreements and cash collateral on securities lent		157	–	–	157
Customer deposits (deposits)		16 241	101	–	16 342
Debt securities in issue		1 194	(60)	–	1,134
Liabilities arising on securitisation of other assets		108	–	–	108
Current taxation liabilities		37	–	1	38
Deferred taxation liabilities of which:		21	(3)	–	18
– in respect of acquired intangibles	b	10	–	–	10
Other liabilities		1 184	(232)	2	954
Subordinated liabilities of which:		772	–	–	772
– term subordinated debt included in tier 2 capital	c	772	–	–	772
Total liabilities		**22 031**	**(288)**	**3**	**21 746**
Shareholder's equity excluding non-controlling interests	d	2 115	(12)	5	2 108
Additional tier 1 securities in issue	e	250	–	–	250
Non-controlling interests	f	–	–	–	–
Total equity		**2 365**	**(12)**	**5**	**2 358**
Total liabilities and equity		**24 396**	**(300)**	**8**	**24 104**

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

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

£'million	Ref^	Accounting balance sheet[#]	Deconsolidation of non-financial/ other entities	Consolidation of banking associates	Regulatory balance sheet[#]
31 March 2020					
Cash and balances at central banks		2 277	–	–	2 277
Loans and advances to banks		1 794	(84)	–	1 710
Reverse repurchase agreements and cash collateral on securities borrowed		2 459	–	–	2 459
Sovereign debt securities		1 085	–	–	1 085
Bank debt securities		51	–	–	51
Other debt securities		696	(39)	–	657
Derivative financial instruments		1 251	(3)	–	1 248
Securities arising from trading activities		257	(6)	–	251
Investment portfolio		351	(11)	–	340
Loans and advances to customers		11 834	17	–	11 851
Other loans and advances		266	124	–	390
Other securitised assets		106	–	–	106
Interests in associated undertakings		7	–	(1)	6
Deferred taxation assets of which:		130	–	–	130
– relates to losses carried forward	a	18	–	–	18
Other assets		1 462	(405)	–	1 057
Property and equipment		217	(27)	–	190
Goodwill	b	253	–	–	253
Intangible assets	b	68	–	–	68
Software	b	7	–	–	7
Investment in subsidiary companies		–	10	–	10
Total assets		**24 571**	**(424)**	**(1)**	**24 146**
Deposits by banks		1 450	(87)	–	1 363
Derivative financial instruments		1 148	(13)	–	1 135
Other trading liabilities		119	–	–	119
Repurchase agreements and cash collateral on securities lent		397	–	–	397
Customer deposits (deposits)		15 506	101	–	15 607
Debt securities in issue		1 026	(108)	–	918
Liabilities arising on securitisation of other assets		111	1	–	112
Current taxation liabilities		43	–	–	43
Deferred taxation liabilities of which:		22	(3)	–	19
– in respect of acquired intangibles	b	13	–	–	13
Other liabilities		1 631	(296)	–	1 335
Subordinated liabilities of which:		787	–	–	787
– term subordinated debt included in tier 2 capital	c	787	–	–	787
Total liabilities		**22 240**	**(405)**	**–**	**21 835**
Shareholder's equity excluding non-controlling interests	d	2 078	(17)	–	2 061
Additional tier 1 securities in issue	e	250	–	–	250
Non-controlling interests	f	3	(3)	–	–
Total equity		**2 331**	**(20)**	**–**	**2 311**
Total liabilities and equity		**24 571**	**(425)**	**–**	**24 146**

^ The references identify balance sheet components which are used in the calculation of regulatory capital (refer to table 1).
[#] Where applicable, the 31 March 2020 comparatives have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 292 of the IBP Annual Report 2021.

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Capital adequacy and leverage

Capital management

Philosophy and approach

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

In line with our risk appetite framework we intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios.

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

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

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

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

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

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

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

Risk modelling and quantification

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

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

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

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

Capital planning and stress/scenario testing

A capital plan is prepared for IBP and is maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered.

The plan provides the IBP board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

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

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

The conditions themselves are agreed by the IBP Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

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

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

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

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

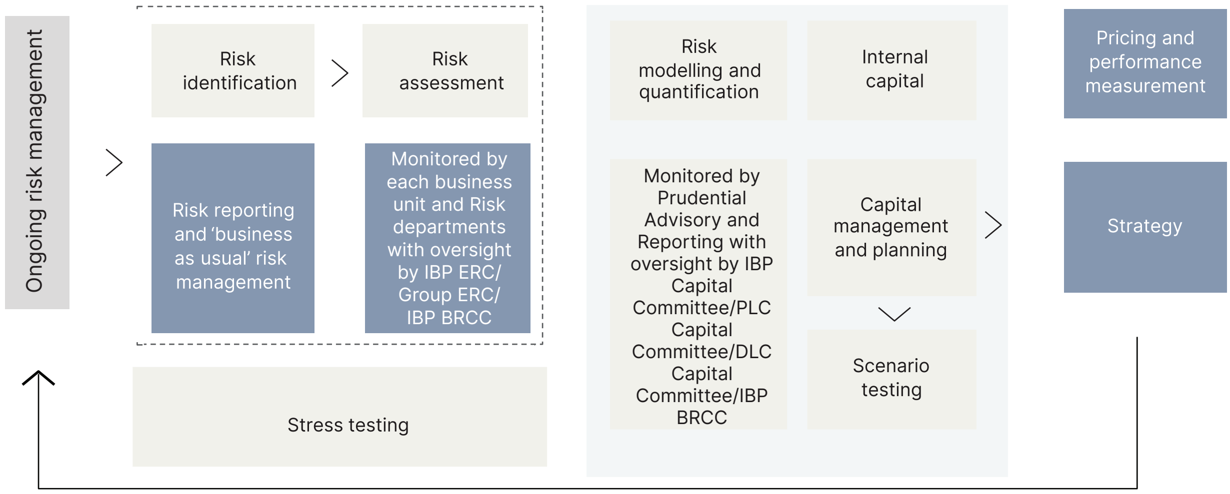
At a minimum level, the capital plan assesses the impact on IBP's capital adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the IBP Capital Committee is presented with the potential variability in capital adequacy and are responsible, in consultation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

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

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

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

The (simplified) integration of risk and capital management



CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 3: Own funds disclosure

Ref^	£'million Common equity tier 1 capital: Instruments and reserves	31 March 2021	31 March 2020
1	Capital instruments and the related share premium accounts	1 480	1 480
	of which: ordinary shares*	1 480	1 480
2	Retained earnings	462	418
3	Accumulated other comprehensive income (and other reserves)	139	163
5	Minority interests (amount allowed in consolidated CET1)	–	–
6	**Common equity tier 1 capital before regulatory adjustments**	**2 081**	**2 061**
	Common equity tier 1 capital: regulatory adjustments		
7	Additional value adjustments	(6)	(7)
8	Intangible assets (net of related tax liability)	(298)	(315)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met)	(12)	(18)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	12	12
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(2)	–
20c	of which: securitisation positions (negative amount)	(2)	–
21	Adjustment under IFRS 9 transitional arrangements	93	86
28	**Total regulatory adjustments to Common equity tier 1**	**(213)**	**(242)**
29	**Common equity tier 1 capital**	**1 868**	**1 819**
	Additional tier 1 capital: instruments		
30	Capital instruments and the related share premium accounts	250	250
31	of which: classified as equity under applicable accounting standards	250	250
44	**Additional Tier 1 (AT1) capital**	**250**	**250**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**2 118**	**2 069**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	473	533
58	**Tier 2 (T2) capital**	**473**	**533**
59	**Total capital (TC = T1 + T2)**	**2 591**	**2 602**
60	**Total risk weighted assets**	**15 789**	**15 808**
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	11.8%	11.5%
62	Tier 1 (as a percentage of risk exposure amount)	13.4%	13.1%
63	Total capital (as a percentage of risk exposure amount)	16.4%	16.5%
64	Institution specific buffer requirement (expressed as a percentage of risk exposure amount))	2.53%	2.56%
65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: countercyclical buffer requirement	0.03%	0.06%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.3%	7.0%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	61	60
73	Direct and indirect holdings of the capital of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	5	6
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	40	38

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

Own funds disclosure

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.

Regulatory capital instruments

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

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

Table 4 provides a description of the terms and conditions of all capital instruments, including an indication of which instruments are not CRD IV compliant and are subject to transitional arrangements.

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 4: Summary of capital instruments' main features

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

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Fixed rate reset perpetual additional tier 1 write-down capital securities	**Subordinated fixed rate medium-term note**	**Subordinated fixed rate reset callable medium-term notes**
Investec Bank plc	Investec Bank plc	Investec Bank plc
Unlisted	XS0593062788	XS1859228634
English Law	English Law	English Law
Additional Tier 1	Tier 2	Tier 2
Additional Tier 1	Tier 2	Tier 2
Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
Additional tier 1 instrument	Tier 2 instruments	Tier 2 instruments
£250m	£54m	£418m
£250m	£308m	£420m
100%	99.981%	99.47%
Redemption at principal amount plus accrued and unpaid interest to date of redemption	Par plus accrued but unpaid interest	Par plus accrued interest
Shareholders' equity	Liability – fair value	Liability – amortised cost
£200m on 16 October 2017 £50m on 22 January 2019	17 February 2011 29 June 2011 tap	Tuesday, 24 July 2011
Perpetual	Dated	Dated
No maturity	17 February 2022	24 July 2028
Yes	n/a	Yes
5 December 2024, subject to supervisory approval;Subject to tax and capital disqualification event at any time; Redemption at principal amount plus accrued and unpaid interest to date of redemption	NA; Subject to tax and regulatory call; Redemption at par plus accrued but unpaid interest	24 July 2023 subject to supervisory approval; subject to tax and regulatory call; redemption at par plus accrued interest
On each quarterly interest payment date after first call	n/a	n/a
Fixed	Fixed	Fixed
6.750%	9.625%	4.25%
No	No	No
Fully discretionary	Mandatory	Mandatory
Fully discretionary	Mandatory	Mandatory
No	No	No
Non-cumulative	Cumulative	Cumulative
Non-convertible	Non-convertible	Non-convertible
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
n/a	n/a	n/a
CET1 ratio of the issuer and / or the Investec plc group has fallen below 7% – contractual / point of non viability – UK PRA statutory	n/a	n/a
Full	n/a	n/a
Permanent	n/a	n/a
n/a	n/a	n/a
Tier 2 instruments	Subordinated to payments of any amounts due and payable to senior creditors	Subordinated to payments of any amounts due and payable to senior creditors
No	No	No
n/a	n/a	n/a

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Overview of RWAs

IBP uses the SA to calculate its credit and CCR, securitisation, market risk and operational risk capital requirements. The mark-to-market method is used to calculate the CCR exposure amount. For certain options, the group has obtained an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the group was granted an article 331 permission in January 2018 which allows sensitivity models to be used when calculating the market risk position for certain derivative instruments.

RWAs 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.

Table 5: Overview of RWAs

		RWA		Minimum capital requirements*
Ref^	**£'million**	**31 March 2021**	31 March 2020	**31 March 2021**
1	Credit risk (excluding counterparty credit risk)	12 428	12 174	994
2	Of which standardised approach	12 428	12 174	994
6	Counterparty credit risk (CCR)	750	981	60
7	Of which mark to market	688	921	55
11	Of which risk exposure amount for contributions to the default fund of a CCP	3	1	–
12	Of which credit valuation adjustment (CVA) risk	59	59	5
13	Settlement risk	5	5	–
14	Securitisation exposures in banking book (after cap)	97	91	8
18	Of which standardised approach	97	91	8
19	Market risk	778	726	63
20	Of which the standardised approach	778	726	63
23	Operational risk	1 731	1 831	138
25	Of which standardised approach	1 731	1 831	138
27	Amounts below the thresholds for deduction (subject to 250% RWAs)**	113	108	9
29	**Total (1+6+13+14+19+23)**	**15 789**	**15 808**	**1 263**

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

Leverage ratio

The leverage ratio is calculated using the CRR definition of leverage which was adopted by the European Commission via a delegated Act in October 2014 and came into force on 1 January 2015. Subsequently, a leverage ratio of 3% was agreed upon at both the European and international level. CRR II implements the new leverage ratio requirements in Europe, however, even though the legislation was adopted in June 2019, it was not implemented in the EU before the end of the Brexit transitional period and therefore the requirements remain to be implemented in the UK. The PRA confirmed in Consultation Paper 5/21, issued in February 2021, that new leverage ratio rules will only be introduced once the FPC and Prudential Regulation Committee's review of the UK leverage ratio framework has been concluded. The review is expected to be completed in summer 2021.

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

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

The group's leverage ratio was 8.0% at 31 March 2021, the same as at 31 March 2020.

The UK leverage ratio framework is relevant to PRA regulated banks and building societies with retail deposits equal to or greater than £50 billion. Firms subject to this framework are allowed to exclude qualifying central bank balances from the calculation of the leverage exposure measure. Although IBP is not subject to the UK leverage ratio framework, the leverage ratio calculated on this basis, has been included in table 1 on page 8 for comparative purposes.

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

Ref^	£'million	31 March 2021	31 March 2020#
1	Total assets as per published financial statements	24 396	24 571
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(291)	(425)
4	Adjustments for derivative financial instruments	1 066	611
5	Adjustment for securities financing transactions (SFTs)	145	169
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1 260	1 029
7	Other adjustments	(225)	(236)
8	**Leverage ratio total exposure measure**	**26 351**	**25 719**

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
# 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 of the IBP Annual Report 2021.

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 7: Leverage ratio common disclosure

		CRR leverage ratio exposures	
Ref^	**£'million**	**31 March 2021**	31 March 2020#
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	21 234	20 699
2	(Asset amounts deducted in determining Tier 1 capital)	(225)	(236)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**21 009**	**20 463**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	523	1 127
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	1 043	869
9	Adjusted effective notional amount of written credit derivatives	359	508
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(53)	(73)
11	**Total derivatives exposures**	**1 872**	**2 431**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 065	1 627
14	Counterparty credit risk exposure for SFT assets	145	169
16	**Total securities financing transaction exposures**	**2 210**	**1 796**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 329	1 884
18	(Adjustments for conversion to credit equivalent amounts)	(1 069)	(855)
19	**Other off-balance sheet exposures**	**1 260**	**1 029**
	Capital and total exposure measure		
20	Tier 1 capital	2 118	2 069
21	Leverage ratio exposure measure	**26 351**	**25 719**
	Leverage ratio		
22	**Leverage ratio**	**8.0%**	**8.0%**
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	T1 transitional	T1 transitional

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
# 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 of the IBP Annual Report 2021.

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

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

		CRR leverage ratio exposures	
Ref^	**£'million**	**31 March 2021**	31 March 2020#
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs)	21 234	20 699
EU-2	Trading book exposures	278	576
EU-3	Banking book exposures, of which:	20 956	20 123
EU-4	Covered bonds	15	–
EU-5	Exposures treated as sovereigns	4 346	3 835
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	380	223
EU-7	Institutions	1 289	1 400
EU-8	Secured by mortgages of immovable properties	4 394	3 500
EU-9	Retail exposures	1 529	1 437
EU-10	Corporate	6 630	6 925
EU-11	Exposures in default	234	335
EU12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2 139	2 468

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
# 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 of the IBP Annual Report 2021.

Capital buffers

The group is subject to a CCB and an institution specific CCyB. As at 31 March 2021, the group holds a CCB, which must be met fully with CET1 Capital of 2.5%.

The group is also subject to an institution specific CCyB requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. On 11 March 2020, the Bank of England (BoE) announced measures to respond to the economic shock from COVID-19. The FPC took the decision to reduce the UK CCyB rate to 0% of bank's exposures to UK borrowers with immediate effect. In December 2020 the FPC updated its guidance and confirmed it expected the UK CCyB rate to remain at 0% until Q4 2021.

Therefore, any subsequent increases are not expected to take effect until Q4 2022 at the earliest, given the 12-month implementation lag. At 31 March 2021, the group holds an institution specific CCyB of 0.03%.

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

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 9: Geographical distribution of credit exposures

		General credit exposure	Trading book exposure	Securitisation exposure	Own funds requirements					
Ref^	£'million	Exposure value for SA	Sum of long and short position of trading book	Exposure value for SA	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
	31 March 2021									
010	**Breakdown by country**									
	Hong Kong	58	2	–	4	–	–	4	0.38%	1.00%
	Norway	48	–	–	4	–	–	4	0.38%	1.00%
	Slovakia	–	–	–	–	–	–	–	0.00%	1.00%
	Bulgaria	5	–	–	–	–	–	–	0.01%	0.50%
	Luxembourg	638	1	–	51	–	–	51	4.99%	0.50%
	Czech Republic	–	–	–	–	–	–	–	0.00%	0.50%
	Total countries with existing CCyB rates >0%	**749**	**3**	**–**	**59**	**–**	**–**	**59**	**5.76%**	
	United States of America	741	9	33	57	–	1	58	5.66%	
	United Kingdom	8 955	58	292	543	2	4	549	54.00%	
	Australia	757	–	–	60	–	–	60	5.94%	
	British Virgin Islands	392	–	–	26	–	–	26	2.58%	
	Netherlands	305	1	–	24	–	–	24	2.36%	
	Cayman Islands	429	–	246	36	–	3	39	3.79%	
	Jersey	663	–	–	44	–	–	44	4.37%	
	Ireland	455	–	–	33	–	–	33	3.22%	
	Germany	136	9	–	10	–	–	10	1.01%	
	Guernsey	483	–	–	32	–	–	32	3.10%	
	Switzerland	184	1	–	11	–	–	11	1.05%	
	Total countries with own funds requirements weights 1% or above	**13 500**	**78**	**571**	**876**	**2**	**8**	**886**	**87.08%**	
	Total countries with own funds requirements weights below 1% and without an existing CCyB rate	**1 030**	**10**	**–**	**71**	**1**	**–**	**73**	**7.16%**	
	Total	**15 279**	**91**	**571**	**1 006**	**3**	**8**	**1 018**	**100.00%**	

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

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 9: Geographical distribution of credit exposures (CONTINUED)

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

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

CAPITAL ADEQUACY AND LEVERAGE
CONTINUED

Table 10: Amount of institution specific countercyclical capital buffer

Ref^	£'million	31 March 2021	31 March 2020
010	Total risk exposure amount	15 789	15 808
020	Institution specific countercyclical buffer rate	0.03%	0.06%
030	**Institution specific countercyclical buffer requirement**	**5**	**10**

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

03

Credit risk

CREDIT RISK

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

Table 11: Total and average net amount of exposures

		Net value of exposures*	**Average net exposures**	Net value of exposures*	Average net exposures
Ref^	**£'million**	**31 March 2021**		31 March 2020	
16	Central governments or central banks	4 346	4 044	3 835	4 914
17	Regional governments or local authorities	2	2	2	2
18	Public sector entities	111	100	97	80
19	Multilateral Development Banks	280	220	131	91
21	Institutions	1 316	1 394	1 439	1 013
22	Corporates	8 706	8 959	8 528	8 347
24	Retail	1 553	1 525	1 458	1 386
26	Secured by mortgages on immovable property	4 482	3 984	3 603	3 376
28	Exposures in default	235	276	364	392
29	Items associated with particularly high risk	575	481	405	431
30	Covered bonds	15	15	0	0
33	Equity exposures	109	98	127	97
34	Other exposures	582	567	458	479
35	**Total standardised approach**	**22 312**	**21 665**	**20 447**	**20 608**

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

CREDIT RISK
CONTINUED

Table 12: Geographical breakdown of exposures

		Net value*					
Ref^	£'million	United Kingdom	Europe (excluding UK)	Australia	North America	Other	Total
	31 March 2021						
7	Central governments or central banks	3 700	53	50	543	–	4 346
8	Regional governments or local authorities	2	–	–	–	–	2
9	Public sector entities	99	6	6	–	–	111
10	Multilateral Development Banks	50	53	–	167	10	280
12	Institutions	536	452	86	213	29	1 316
13	Corporates	4 575	1 803	689	1 327	312	8 706
14	Retail	1 518	19	3	3	10	1 553
15	Secured by mortgages on immovable property	3 753	195	4	298	232	4 482
16	Exposures in default	199	17	–	8	11	235
17	Items associated with particularly high risk	328	5	21	106	115	575
18	Covered bonds	15	–	–	–	–	15
21	Equity exposures	49	50	3	4	3	109
22	Other exposures	434	27	9	4	108	582
23	**Total standardised approach**	**15 258**	**2 680**	**871**	**2 673**	**830**	**22 312**
	31 March 2020						
7	Central governments and central banks	3 424	55	19	337	–	3 835
8	Regional governments or local authorities	2	–	–	–	–	2
9	Public sector entities	93	3	1	–	–	97
10	Multilateral Development Banks	19	32	–	60	20	131
12	Institutions	596	451	70	287	35	1 439
13	Corporates	4 338	1 535	724	1 482	449	8 528
14	Retail	1 421	10	3	3	21	1 458
15	Secured by mortgages on immovable property	2 886	194	29	257	237	3 603
16	Exposures in default	217	49	24	50	24	364
17	Items associated with particularly high risk	193	27	19	76	90	405
21	Equity exposures	73	3	10	38	3	127
22	Other exposures	296	34	25	5	98	458
23	**Total standardised approach**	**13 558**	**2 393**	**924**	**2 595**	**977**	**20 447**

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

CREDIT RISK
CONTINUED

Table 13: Concentration of exposures by counterparty type

Ref^	£'million	Financial sector	Non-financial sector	Total*
	31 March 2021			
7	Central governments or central banks	4 296	50	4 346
8	Regional governments or local authorities	–	2	2
9	Public sector entities	–	111	111
10	Multilateral Development Banks	280	–	280
12	Institutions	1 316	–	1 316
13	Corporates	717	7 989	8 706
14	Retail	–	1 553	1 553
15	Secured by mortgages on immovable property	12	4 470	4 482
16	Exposures in default	–	235	235
17	Items associated with particularly high risk	50	525	575
18	Covered bonds	15	–	15
21	Equity exposures	1	108	109
22	Other exposures	–	582	582
23	**Total standardised approach**	**6 687**	**15 625**	**22 312**
	31 March 2020#			
7	Central governments or central banks	3 502	333	3 835
8	Regional governments or local authorities	–	2	2
9	Public sector entities	–	97	97
10	Multilateral Development Banks	131	–	131
12	Institutions	1 431	8	1 439
13	Corporates	1 111	7 417	8 528
14	Retail	–	1 458	1 458
15	Secured by mortgages on immovable property	16	3 587	3 603
16	Exposures in default	–	364	364
17	Items associated with particularly high risk	12	393	405
21	Equity exposures	30	97	127
22	Other exposures	–	458	458
23	**Total standardised approach**	**6 233**	**14 214**	**20 447**

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
* The total disclosed is the net value i.e. the gross carrying value of the exposure less impairment allowance or provisions.
# The 31 March 2020 comparative have been restated to reflect a correction in the sector breakdown. Fund exposures have been reclassified to the financial sector.

CREDIT RISK
CONTINUED

Table 14: Maturity of exposures

		Net exposure value^^				
Ref^	£'million	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
	31 March 2021					
7	Central governments or central banks	3 835	–	511	–	4 346
8	Regional governments or local authorities	–	2	–	–	2
9	Public sector entities	10	87	14	–	111
10	Multilateral Development Banks	49	197	34	–	280
12	Institutions	1 227	84	5	–	1 316
13	Corporates	2 261	4 680	1 765	–	8 706
14	Retail	176	1 255	122	–	1 553
15	Secured by mortgages on immovable property	608	2 104	1 770	–	4 482
16	Exposures in default	37	43	155	–	235
17	Items associated with particularly high risk	125	125	38	287	575
18	Covered bonds	–	5	10	–	15
21	Equity exposures	–	–	–	109	109
22	Other exposures	–	–	–	582	582
23	**Total standardised approach**	**8 328**	**8 582**	**4 424**	**978**	**22 312**
	31 March 2020					
7	Central governments or central banks	3 190	77	568	–	3 835
8	Regional governments or local authorities	–	2	–	–	2
9	Public sector entities	4	83	10	–	97
10	Multilateral Development Banks	–	131	–	–	131
12	Institutions	1 246	96	97	–	1 439
13	Corporates	2 034	4 629	1 865	–	8 528
14	Retail	145	1 208	105	–	1 458
15	Secured by mortgages on immovable property	379	1 939	1 285	–	3 603
16	Exposures in default	70	113	181	–	364
17	Items associated with particularly high risk	61	86	4	254	405
21	Equity exposures	–	–	–	127	127
22	Other exposures	–	–	–	458	458
23	**Total standardised approach**	**7 129**	**8 364**	**4 115**	**839**	**20 447**

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

04

Credit risk adjustments

CREDIT RISK ADJUSTMENTS

IFRS 9 requirements have been embedded into our bank credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets at amortised cost and at fair value through other comprehensive income, in accordance with IFRS 9, are as described below:

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

Stage 1
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 bank's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable time frame, these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. In addition to loans under management review, an asset may also move from Stage 1 to Stage 2, if the model calculated probability of default (PD) has significantly increased since origination.

This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred. Currently, in the UK, there is a common definition across all exposures regarding what constitutes a significant PD movement. The test involves both an absolute and relative movement threshold. An asset is considered to have been subjected to a significant increase in credit risk, if the appropriate PD has doubled relative to the value at origination, and on an absolute basis has increased by more than 1%. Any asset with an original rating that is classified as investment grade will be judged to have had a significant movement if the new PD would classify it as subinvestment grade and the equivalent rating has moved by more than three notches.

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

ECL
The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and 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.

CREDIT RISK ADJUSTMENTS
CONTINUED

Table 15: Credit quality of exposures by exposure class

		Gross carrying value					
Ref^	**£'million**	**Defaulted exposures**	**Non defaulted exposures**	**Specific credit risk adjust-ments**	**Accumu-lated write-offs**	**Credit risk adjust-ment charge of the period**	**Net values^^**
	31 March 2021						
16	Central governments and central banks	–	4 346	–	–	–	4 346
17	Regional governments or local authorities	–	2	–	–	–	2
18	Public sector entities	1	111	1	–	1	111
19	Multilateral Development Banks	–	280	–	–	–	280
21	Institutions	–	1 316	–	–	–	1 316
22	Corporates	190	8 763	128	76	51	8 825
24	Retail	33	1 569	33	2	14	1 569
26	Secured by mortgages on immovable property	113	4 483	14	–	6	4 582
28	Exposures in default	337	–	102	78	41	235
29	Items associated with particularly high risk	–	575	–	–	–	575
30	Covered bonds	–	15	–	–	–	15
33	Equity exposures	–	109	–	–	–	109
34	Other exposures	–	582		–	–	582
35	**Total standardised approach***	**337**	**22 151**	**176**	**78**	**72**	**22 312**
36	Of which: Loans	336	13 488	166	78	72	13 658
37	Of which: Debt securities	–	1 830	1	–	–	1 829
38	Of which: Off-balance sheet exposures	1	2 328	9	–	–	2 320
	31 March 2020						
16	Central governments and central banks	–	3 835	–	–	–	3 835
17	Regional governments or local authorities	–	2	–	–	–	2
18	Public sector entities	–	97	–	–	–	97
19	Multilateral Development Banks	–	131	–	–	–	131
21	Institutions	1	1 438	–	–	–	1 439
22	Corporates	233	8 557	64	46	58	8 726
24	Retail	28	1 465	13	2	12	1 480
26	Secured by mortgages on immovable property	147	3 605	5	–	5	3 747
28	Exposures in default	409	–	45	48	42	364
29	Items associated with particularly high risk	–	405	–	–	–	405
33	Equity exposures	–	127	–	–	–	127
34	Other exposures	–	458	–	–	–	458
35	**Total standardised approach***	**409**	**20 120**	**82**	**48**	**75**	**20 447**
36	Of which: Loans	379	12 984	80	48	75	13 283
37	Of which: Debt securities	–	1 968	–	–	–	1 968
38	Of which: Off-balance sheet exposures	30	1 854	2	–	–	1 882

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

CREDIT RISK ADJUSTMENTS
CONTINUED

Table 16: Credit quality of exposures by sector

		Gross carrying value					
Ref^	**£'million**	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustments**	**Accumulated write-offs**	**Credit risk adjustment charge of the period**	**Net values^^**
	31 March 2021						
1	Financial sector	–	6 688	1	–	–	6 687
2	Non-financial sector	337	15 463	175	78	72	15 625
19	Total	**337**	**22 151**	**176**	**78**	**72**	**22 312**
	31 March 2020#						
1	Financial sector	2	6 232	1	–	–	6 233
2	Non-financial sector	407	13 888	81	48	75	14 214
19	**Total**	**409**	**20 120**	**82**	**48**	**75**	**20 447**

Table 17: Credit quality of exposures by geography

		Gross carrying value					
Ref^	**£'million**	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustments**	**Accumulated write-offs**	**Credit risk adjustment charge of the period**	**Net values^^**
	31 March 2021						
1	United Kingdom	268	15 112	122	27	21	15 258
2	Europe (excluding United Kingdom)	44	2 668	32	11	10	2 680
3	Australia	–	874	3	–	5	871
4	North America	10	2 669	6	18	20	2 673
5	Other geographies	15	828	13	22	16	830
6	**Total**	**337**	**22 151**	**176**	**78**	**72**	**22 312**
	31 March 2020						
1	United Kingdom	247	13 368	57	40	62	13 558
2	Europe (excluding United Kingdom)	59	2 346	12	6	10	2 393
3	Australia	26	901	3	–	–	924
4	North America	52	2 552	9	–	–	2 595
5	Other geographies	25	953	1	2	3	977
6	**Total**	**409**	**20 120**	**82**	**48**	**75**	**20 447**

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
^^ The net value is equal to the gross carrying value (including defaulted and non-defaulted exposures) less specific credit risk adjustments.
# The 31 March 2020 comparative have been restated to reflect a correction in the sector breakdown. Fund exposures have been reclassified as financial.

CREDIT RISK ADJUSTMENTS
CONTINUED

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

Table 18: Ageing of past due exposures

		Gross carrying values					
Ref^	**£'million**	**< 30 days**	**> 30 days < 60 days**	**> 60 days < 90 days**	**> 90 days < 180 days**	**> 180 days < 1 year**	**> 1 year**
	31 March 2021						
1	Loans	124	32	100	16	22	87
3	**Total exposures**	**124**	**32**	**100**	**16**	**22**	**87**
	31 March 2020						
1	Loans	146	30	3	52	54	86
3	**Total exposures**	**146**	**30**	**3**	**52**	**54**	**86**

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

		Accumulated specific credit risk adjustments	
		12 months to	
Ref^	**£'million**	**31 March 2021**	31 March 2020#
1	**Opening balance**	82	45
2	Increases due to amounts set aside for estimated loan losses during the period^^	59	38
3	Decreases due to amounts reversed for estimated loan losses during the period*	(28)	(4)
4	Decrease due to amounts taken against accumulated credit risk adjustments**	(44)	(21)
8	Other adjustments	107	24
9	**Closing balance**	**176**	**82**

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

		Gross carrying value of defaulted exposures	
		12 months to	
Ref^	**£'million**	**31 March 2021**	31 March 2020#
1	**Opening balance**	409	444
2	Loans and debt securities that have defaulted or impaired since the last reporting period	129	115
3	Returned to non-defaulted status	(8)	(2)
4	Amounts written off	(78)	(48)
5	Other changes	(115)	(100)
6	**Closing balance**	337	409

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
^^ Includes increases due to origination and acquisition, changes in credit risk, changes due to modification without derecognition and due to estimation methodology updates.
* Includes repayments and disposal.
** Includes write-offs.
# The 2020 comparatives include the impact of the IFRS 9 scaling factor, however, since the adoption of the quick fix regulation in June 2020 the scaling factor is no longer applied and will not be reflected in the 31 March 2021 position.

CREDIT RISK ADJUSTMENTS
CONTINUED

Table 21: Non-performing and forborne exposures

		Gross carrying amount of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
					of which: non-performing				On performing exposures		On non-performing exposures			
Ref^	**£'million**		**of which performing but past due > 30 days and < 90 days**	**of which performing forborne**		**of which: defaulted**	**of which: impaired**	**of which: forborne**		**of which: forborne**		**of which: forborne**	**On non-performing exposures**	**Of which: forborne exposures**
	31 March 2021													
010	Debt securities	1 830	–	–	–	–	–	–	(1)	–	–	–	–	–
020	Loans and advances	13 824	95	134	344	336	344	84	(66)	(8)	(108)	(28)	43	5
030	Off-balance sheet exposures	2 329	–	–	1	1	–	–	–	–	(9)	–	–	–
	31 March 2020													
010	Debt securities	1 968	–	–	–	–	–	–	–	–	–	–	–	–
020	Loans and advances	13 364	33	160	386	379	386	119	(30)	(1)	(50)	(12)	350	184
030	Off-balance sheet exposures	1 884	–	–	30	30	–	–	–	–	(2)	–	4	–

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

05

Credit risk mitigation

CREDIT RISK MITIGATION

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

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

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and ultimately allowing Investec to recover any outstanding exposures.

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

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

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

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

Note not all of the above collateral will be 'eligible' collateral from a regulatory perspective.

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

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

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

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

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

The bank places minimal reliance on credit derivatives in its CRM techniques. Periodically the bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2021 amounts to £1.5 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £10.9 million and total protection sold amounts to £9.4 million relating to credit derivatives used in credit mitigation.

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 ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the bank operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

CREDIT RISK MITIGATION
CONTINUED

Recognition of credit risk mitigation under the standardised approach

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

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

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

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

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

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

Table 22: Credit risk mitigation techniques

Ref^	£'million	Exposures unsecured-carrying amount	Exposures secured carrying amount	Exposures secured by collateral^^	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	31 March 2021					
1	Total loans	8 957	4 701	4 564	137	–
2	Total debt securities	1 829	–	–	–	–
3	**Total exposures**	**10 786**	**4 701**	**4 564**	**137**	**–**
4	Of which defaulted	225	111	–	–	–
	31 March 2020					
1	Total loans	9 482	3 801	3 719	82	–
2	Total debt securities	1 968	–	–	–	–
3	**Total exposures**	**11 450**	**3 801**	**3 719**	**82**	**–**
4	Of which defaulted	250	129	–	–	–

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

CREDIT RISK MITIGATION
CONTINUED

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

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density		
Ref^	**£'million**	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**	**Capital require-ments**
	31 March 2021							
1	Central governments and central banks	4 346	–	4 474	1	21	0%	2
2	Regional governments or local authorities	2	–	2	–	–	20%	–
3	Public sector entities	98	13	98	2	20	0%	2
4	Multilateral Development Banks	280	–	280	–	–		–
6	Institutions	1 290	26	1 289	25	278	21%	22
7	Corporates	6 630	2 076	6 400	1 003	7 183	97%	575
8	Retail	1 530	23	1 454	8	954	65%	76
9	Secured by mortgages on immovable property	4 395	87	4 394	42	2 091	47%	167
10	Exposures in default	234	1	234	1	271	115%	22
11	Items associated with particularly high risk	481	94	479	94	859	150%	69
12	Covered bonds	15	–	15	–	1	7%	0
15	Equity exposures	109	–	109	–	117	107%	9
16	Other exposures	582	–	582	–	641	110%	51
17	**Total**	**19 992**	**2 320**	**19 810**	**1 176**	**12 436**	**59%**	**995**
	31 March 2020							
1	Central governments and central banks	3 835	–	3 887	–	26	1%	2
2	Regional governments or local authorities	2	–	2	–	–	0%	–
3	Public sector entities	90	7	90	–	18	20%	2
4	Multilateral Development Banks	131	–	131	–	–	0%	–
6	Institutions	1 401	38	1 413	24	319	22%	26
7	Corporates	6 926	1 602	6 700	813	7 504	100%	600
8	Retail	1 437	21	1 375	7	876	63%	70
9	Secured by mortgages on immovable property	3 500	103	3 500	51	1 734	49%	139
10	Exposures in default	334	30	334	28	452	125%	36
11	Items associated with particularly high risk	372	33	370	33	605	150%	49
15	Equity exposures	79	48	79	38	126	107%	10
16	Other exposures	458	–	458	–	514	112%	41
17	**Total**	**18 565**	**1 882**	**18 339**	**994**	**12 174**	**63%**	**975**

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

CREDIT RISK MITIGATION
CONTINUED

Table 24: Standardised approach

		Risk weight^^										
Ref^	**£'million**	**0%**	**2%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Total**
	31 March 2021											
1	Central governments or central banks	4 434	–	–	–	–	41	–	–	–	–	4 475
2	Regional governments or local authorities	–	–	–	2	–	–	–	–	–	–	2
3	Public sector entities	–	–	–	100	–	–	–	–	–	–	100
4	Multilateral Development Banks	280	–	–	–	–	–	–	–	–	–	280
6	Institutions	–	1	–	1 284	–	17	–	12	–	–	1 314
7	Corporates	–	–	–	–	–	–	–	7 391	12	–	7 403
8	Retail	–	–	–	–	–	–	1 462	–	–	–	1 462
9	Secured by mortgages on immovable property	–	–	–	–	3 585	8	–	843	–	–	4 436
10	Exposures in default	–	–	–	–	–	–	–	161	74	–	235
11	Items associated with particularly high risk	–	–	–	–	–	–	–	–	573	–	573
12	Covered bonds	–	–	15	–	–	–	–	–	–	–	15
15	Equity exposures	–	–	–	–	–	–	–	104	–	5	109
16	Other exposures	–	–	–	–	–	–	–	542	–	40	582
17	**Total**	**4 714**	**1**	**15**	**1 386**	**3 585**	**66**	**1 462**	**9 053**	**659**	**45**	**20 986**
	31 March 2020											
1	Central governments or central banks	3 835	–	–	–	–	52	–	–	–	–	3 887
2	Regional governments or local authorities	–	–	–	2	–	–	–	–	–	–	2
3	Public sector entities	–	–	–	90	–	–	–	–	–	–	90
4	Multilateral Development Banks	131	–	–	–	–	–	–	–	–	–	131
6	Institutions	–	24	–	1 310	–	95	–	8	–	–	1 437
7	Corporates	–	–	–	10	–	–		7 486	17	–	7 513
8	Retail	–	–	–	–	–	–	1 382	–	–	–	1 382
9	Secured by mortgages on immovable property	–	–	–	–	2 785	8	–	758	–	–	3 551
10	Exposures in default	–	–	–	–	–	–	–	182	180	–	362
11	Items associated with particularly high risk	–	–	–	–	–	–	–	–	403	–	403
15	Equity exposures	–	–	–	–	–	–	–	111	–	6	117
16	Other exposures	–	–	–	–	–	–	–	420	–	38	458
17	**Total**	**3 966**	**24**	**–**	**1 412**	**2 785**	**155**	**1 382**	**8 965**	**600**	**44**	**19 333**

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

06

Counterparty credit risk

Regulatory approach

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

Wrong-way risk
The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty.

For CCR resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

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

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

Ref^	£'million	Replacement cost/current market value	Potential future exposure	EAD post-CRM	RWA
	31 March 2021				
1	Mark-to-market	579	498	909	624
9	Financial collateral comprehensive method (for SFTs)			220	45
11	**Total**				**669**
	31 March 2020				
1	Mark-to-market	1 144	551	1 134	853
9	Financial collateral comprehensive method (for SFTs)			260	53
11	**Total**				**906**

Table 26: Analysis of capital requirements for CVA

		Exposure value	RWAs	Exposure Value	RWAs
Ref^	£'million	31 March 2021		31 March 2020	
1	All portfolios subject to the standardised method	324	59	300	59
5	**Total subject to the CVA capital charge**	**324**	**59**	**300**	**59**

Table 27: Analysis of exposures to CCPs

		EAD post-CRM	RWAs	EAD post-CRM	RWAs
Ref^	£'million	31 March 2021		31 March 2020	
1	**Exposures to QCCPs (total)**		22		16
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which:	615	16	311	9
3	(i) OTC derivatives	71	1	71	1
4	(ii) Exchange-traded derivatives	544	15	240	8
7	Segregated initial margin*	–		–	
8	Non-segregated initial margin	144	3	254	6
9	Prefunded default fund contributions	38	3	30	1

^ The references identify the lines prescribed in the EBA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
^^ This table excludes the CVA charge and exposures cleared through a CCP. Refer to table 26 and 27 for more information.
* The comparatives have been restated. All initial margin held by IBP is not segregated.

COUNTERPARTY CREDIT RISK
CONTINUED

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

		Risk weight								
Ref^	**£'million**	**0%**	**2%**	**4%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
	31 March 2021									
1	Central governments and central banks	19	–	–	–	–	–	–	–	19
3	Public sector entities	–	–	–	3	–	–	–	–	3
6	Institutions	–	515	244	369	258	–	1	–	1 387
7	Corporates	–	–	–	–	–	–	458	1	459
8	Retail	–	–	–	–	–	20	–	–	20
11	**Total**	**19**	**515**	**244**	**372**	**258**	**20**	**459**	**1**	**1 888**
	31 March 2020									
1	Central governments and central banks	14	–	–	–	–	–	–	–	14
3	Public sector entities	–	–	–	12	–	–	–	–	12
6	Institutions	–	339	226	485	170	–	1	–	1 221
7	Corporates	–	–	–	–	–	–	667	30	697
8	Retail	–	–	–	–	–	15	–	–	15
11	**Total**	**14**	**339**	**226**	**497**	**170**	**15**	**668**	**30**	**1 959**

Table 29: Impact of netting and collateral held on exposures

Ref^	**£'million**	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure^^**
	31 March 2021					
1	Derivatives	4 219	2 347	1 872	204	1 668
2	SFTs	1 938	–	1 938	1 718	220
4	**Total**	**6 157**	**2 347**	**3 810**	**1 922**	**1 888**
	31 March 2020					
1	Derivatives	2 687	1 543	1 144	135	1 009
2	SFTs	2 477	–	2 477	2 217	260
4	**Total**	**5 164**	**1543**	**3 621**	**2 352**	**1 269**

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

COUNTERPARTY CREDIT RISK
CONTINUED

Table 30: Credit derivatives exposures

£'million	Credit derivative hedges Protection bought	 Protection sold	 Other credit derivatives
31 March 2021			
Notionals			
Single name credit default swaps	51	171	–
Index credit default swaps	–	–	–
Total return swaps	91	–	381
Total notionals	**142**	**171**	**381**
Positive fair value (assets)	8	3	51
Negative fair value (liability)	8	1	4
31 March 2020#			
Notionals			
Single name credit default swaps	121	255	–
Index credit default swaps	–	18	–
Total return swaps	201	–	393
Total notionals	**322**	**273**	**393**
Positive fair value (assets)	12	1	–
Negative fair value (liability)	47	10	53

The 31 March 2020 comparatives have been restated to correctly classify total return swaps which are not used for hedging purposes as other credit derivatives.

07

Market Risk

Regulatory approach

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

IBP maintains a trading book policy which defines the policies and procedures followed when determining which positions to include in the trading book for the purposes of calculating regulatory capital requirements. Positions which cannot be included in the trading book, will be assigned to the banking book and will attract capital requirements in line with this treatment. All trading book positions will be subject to prudent valuation standards.

The group applies the Simplified Approach when calculating additional valuation adjustments to adjust the fair value of trading book assets to their prudent value.

The market risk capital requirement is calculated using the SA. For certain options, the bank has obtained an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the bank was granted an article 331 permission in January 2018 which allows sensitivity models to be used when calculating the market risk position for certain instruments.

More information on traded market risk in review and the decision to wind down the Financial Products business can be found on page 85 of the Investec Bank plc 2021 Annual Report.

Table 31: Capital requirements for market risk

		RWAs	**Capital requirements**	RWAs	Capital requirements
Ref^	**£'million**	**31 March 2021**		31 March 2020	
	Outright products				
1	Interest rate risk (general and specific)	133	11	196	16
2	Equity risk (general and specific)*	397	32	91	7
3	Foreign exchange risk	72	6	123	10
	Options				
7	Scenario approach	176	14	316	25
9	**Total**	**778**	**63**	**726**	**58**

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

08

Remuneration

REMUNERATION

The Pillar 3 qualitative and quantitative disclosures are included in the IBP Annual Report 2021. The information can be found in the Remuneration Report on pages 148 to 166.

09

Appendix A – CRR references

Appendix A – CRR references

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

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Own funds		
437(1)	Disclose the following information regarding own funds:	
437(1)(a)	full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution;	Table 1 on page 8 and table 2 on pages 10 and 11.
437(1)(b)	a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Refer to 'Regulatory capital instruments' on page 16 and table 4 on pages 18 and 19.
437(1)(c)	the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;	Table 4 on pages 18 and 19.
437(1)(d)	Disclosure of the nature and amounts of the following:	Table 3 on page 15.
437(1)(d)(i)	each prudential filter applied pursuant to Articles 32 to 35;	
437(1)(d)(ii)	each deduction made pursuant to Articles 36, 56 and 66;	
437(1)(d)(iii)	items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	
437(1)(e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply;	
437(1)(f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable
437(2)	EBA to publish implementation standards for points above.	The group follows the implementing standards.
Capital requirements		
438(a)	Summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities.	Refer to 'Capital management' on pages 13 and 14.
438(b)	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process.	This request has not been received from the regulator.
438(c)	Capital requirements for each Standardised approach credit risk exposure class.	Table 5 on page 20.
438(d)	Capital requirements for each Internal Ratings Based Approach credit risk exposure class.	Not applicable.
438(e)	Capital requirements for market risk or settlement risk.	Table 5 on page 20.
438(f)	Capital requirements for operational risk, separately for the Basic Indicator Approach, the Standardised Approach, and the Advanced Measurement Approaches as applicable.	
438 (end note)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Not applicable.

APPENDIX A – CRR REFERENCES
CONTINUED

Appendix A – CRR references (CONTINUED)

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Capital requirements *(continued)*		
440(1)(a)	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.	Refer to table 9 on page 24.
440(1)(b)	The amount of its institution specific countercyclical capital buffer.	Refer to table 10 on page 26.
440(2)	EBA to publish technical standards specifying the disclosure requirements above.	The group follows the technical standards.
Credit risk adjustments		
442(a)	The definitions for accounting purposes of 'past due' and 'impaired'.	Refer to 'definition of default' on page 33.
442(b)	A description of the approaches and methods adopted for determining specific and general credit risk adjustments.	Refer to 'Credit risk adjustments' on page 33.
442(c)	Disclosure of pre-CRM EAD by exposure class.	Refer to table 11 on page 28.
442(d)	Disclosure of pre-CRM EAD by geography and exposure class.	Refer to table 12 on page 29.
442(e)	Disclosure of pre-CRM EAD by industry and exposure class.	Refer to table 13 on page 30.
442(f)	Disclosure of pre-CRM EAD by residual maturity and exposure class.	Refer to table 14 on page 31.
442(g)	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry or counterparty type.	Refer to table 15 and 16 on pages 34 and 35. We have also included table 18 on page 36 and table 21 on page 37 to supplement the disclosures.
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Refer to table 17 on page 35. We have also included table 18 on page 36 and table 21 on page 37 to supplement the disclosures.
442(i)	Reconciliation of changes in specific and general credit risk adjustments for impaired exposures.	Refer to table 19 and 20 on page 36.
442 (endnote)	Specific credit risk adjustments recorded to income statement are disclosed separately.	
Remuneration policy		
450	Remuneration disclosures	Refer to the Remuneration Report included in the IBP Annual Report 2021 pages 148 to 166.
Leverage		
451(1)(a) 451(1)(b)		Refer to tables 6 to 8 on pages 21 to 23.
451(1)(c)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	
451(1)(d)	Description of the processes used to manage the risk of excessive leverage, and factors that impacted the leverage ratio during the year.	Refer to 'Leverage ratio' on page 21.
451(1)(e)		
451(2)	EBA to publish technical standards specifying the uniform disclosure templates for the requirements above.	IBP applies with the standards.

Appendix A – CRR references (CONTINUED)

CRR ref	HIGH-LEVEL SUMMARY	COMPLIANCE REFERENCE
Use of credit risk mitigation techniques		
453(a)	Policies and processes for use of on and off-balance sheet netting.	Refer to page 39.
453(b)	Policies and processes for collateral valuation and management.	
453(c)	A description of the main types of collateral taken by the institution.	
453(d)	The main types of guarantor and credit derivative counterparty and their creditworthiness.	
453(e)	Market or credit risk concentrations within risk mitigation exposures.	Refer to 'Concentration risk' and 'Country risk' on pages 59 and 60 of the IBP Annual Report 2021.
453(f)	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	Refer to table 22 on page 40.
453(g)	Exposures covered by guarantees or credit derivatives.	Refer to table 22 on page 40.

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