INVESTEC BANK PLC | 2020

(a subsidiary of Investec plc)

Financial information

Unaudited condensed consolidated financial information
for the six months ended 30 September 2020
IFRS – Pounds Sterling

Investec

Introduction

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information. The description of alternative performance measures and their calculation is provided on page 54. All other definitions can be found on page 55.

Key financial statistics	**30 Sept 2020**	30 Sept 2019	% change	31 March 2020
Total operating income before expected credit loss impairment charges (£'000)	432 761	513 441	(15.7)%	957 207
Operating costs (£'000)	346 895	384 334	(9.7)%	707 033
Adjusted operating profit (£'000)	46 716	113 161	(58.7)%	173 604
Earnings attributable to ordinary shareholder (£'000)	31 188	60 690	(48.6)%	57 822
Cost to income ratio (%)	80.1%	74.8%		73.9%
Total capital resources (including subordinated liabilities) (£'000)	3 151 081	3 066 788	2.7%	3 118 202
Total equity (£'000)	2 360 776	2 255 204	4.7%	2 331 172
Total assets (£'000)	24 223 341	23 000 166	5.3%	24 669 539
Net core loans (£'000)	11 952 722	10 759 230	11.1%	11 832 499
Customer accounts (deposits) (£'000)	15 835 090	13 656 843	15.9%	15 505 883
Loans and advances to customers as a % of customer deposits	75.5%	78.8%		76.3%
Cash and near cash balances (£'mn)	6 222	6 460	(3.7)%	6 040
Funds under management (£'mn)	38 018	41 539	(8.5)%	33 465
Total gearing ratio (i.e. total assets to equity)	10.3x	10.2x		10.6x
Total capital ratio	16.2%	17.1%		16.5%
Tier 1 ratio	13.1%	13.3%		13.1%
Common equity tier 1 ratio	11.5%	11.6%		11.5%
Leverage ratio – current	8.0%	8.0%		8.0%
Leverage ratio – "fully loaded"	7.7%	7.8%		7.7%
Stage 3 exposure as a % of gross core loans subject to ECL	3.0%	3.1%		3.3%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.2%	2.2%		2.4%
Credit loss ratio	0.60%*	0.28%*		0.69%

* Annualised.

£'000	**Six months to 30 Sept 2020**	Six months to 30 Sept 2019	Year to 31 March 2020
Interest income	356 156	392 847	784 421
Interest expense	(164 316)	(192 527)	(374 872)
Net interest income	**191 840**	**200 320**	**409 549**
Fee and commission income	226 322	257 299	495 789
Fee and commission expense	(6 478)	(5 156)	(13 766)
Investment income	26 246	18 492	6 591
Share of post taxation profit of associates and joint venture holdings	1 356	595	2 128
Trading income/(loss) arising from			
– customer flow	(20 081)	45 736	50 980
– balance sheet management and other trading activities	9 341	(6 429)	(528)
Other operating income	4 215	2 584	6 464
Total operating income before expected credit loss impairment charges	**432 761**	**513 441**	**957 207**
Expected credit loss impairment charges	(39 680)	(16 025)	(75 706)
Operating income	**393 081**	**497 416**	**881 501**
Operating costs*	(346 895)	(384 334)	(707 033)
Operating profit before acquired intangibles and strategic actions	**46 186**	**113 082**	**174 468**
Amortisation of acquired intangibles	(6 414)	(6 548)	(12 915)
Closure and rundown of the Hong Kong direct investments business	(2 158)	(49 469)	(89 257)
Operating profit	**37 614**	**57 065**	**72 296**
Financial impact of group restructures	—	11 584	(26 898)
Profit before taxation	**37 614**	**68 649**	**45 398**
Taxation on operating profit before acquired intangibles and strategic actions	(8 181)	(19 745)	(7 638)
Taxation on acquired intangibles and strategic actions	1 225	11 707	20 926
Profit after taxation	**30 658**	**60 611**	**58 686**
Loss/(profit) attributable to non-controlling interests	530	79	(864)
Earnings attributable to shareholder	**31 188**	**60 690**	**57 822**

* Depreciation on operating leased assets of £0.4 million (30 September 2019: £0.8 million; 31 March 2020: £1.4 million), which was previously reported as a separate line item, has been included in operating costs. The prior period has been restated to reflect the same basis.

Consolidated statement of total comprehensive income

£'000	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation	**30 658**	**60 611**	**58 686**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement*	835	(1 069)	(1 372)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(1 202)	860	2 644
Foreign currency adjustments on translating foreign operations**	6 324	5 379	(1 002)
Effect of rate change on deferred tax relating to adjustment for IFRS 9	1	(503)	(1 134)
Items that will never be reclassified to the income statement:			
(Losses)/gains attributable to own credit risk*	(966)	1 542	9 440
Movement in post-retirement benefit liabilities	(32)	—	51
Total comprehensive income	**35 618**	**66 820**	**67 313**
Total comprehensive (loss)/income attributable to non-controlling interests	(530)	(581)	864
Total comprehensive income attributable to ordinary shareholders	27 710	58 963	49 574
Total comprehensive income attributable to perpetual preferred securities and Additional Tier 1 securities	8 438	8 438	16 875
Total comprehensive income	**35 618**	**66 820**	**67 313**

* Net of taxation (except for the impact of rate changes on deferred tax as shown separately above).
** Year to 31 March 2020 includes £834k gains on recycling of currency translation differences from sale of Ireland wealth business.

£'000	At 30 Sept 2020	At 31 March 2020*	At 30 Sept 2019*
Assets			
Cash and balances at central banks	1 918 509	2 277 318	3 331 165
Loans and advances to banks	1 632 185	1 793 867	938 460
Reverse repurchase agreements and cash collateral on securities borrowed	2 183 917	1 627 246	913 588
Sovereign debt securities	1 537 996	1 688 670	2 148 108
Bank debt securities	65 645	51 238	52 460
Other debt securities	757 275	695 818	474 293
Derivative financial instruments	900 732	1 251 394	742 129
Securities arising from trading activities	665 035	582 693	780 367
Investment portfolio	392 734	350 662	367 036
Loans and advances to customers	11 956 708	11 834 207	10 761 024
Other loans and advances	175 091	266 501	226 735
Other securitised assets	107 353	106 218	114 733
Interests in associated undertakings and joint venture holdings	7 265	6 579	8 802
Deferred taxation assets	120 441	129 715	126 912
Other assets	1 277 195	1 462 159	1 437 714
Property and equipment	202 038	216 955	226 499
Investment properties	—	—	14 500
Goodwill	253 058	252 958	252 970
Software*	7 108	6 955	8 806
Other acquired intangible assets*	63 056	68 386	73 865
	24 223 341	**24 669 539**	**23 000 166**
Liabilities			
Deposits by banks	1 384 329	1 450 463	1 361 453
Derivative financial instruments	949 105	1 246 109	967 613
Other trading liabilities	101 542	118 572	87 457
Repurchase agreements and cash collateral on securities lent	192 593	396 811	240 223
Customer accounts (deposits)	15 835 090	15 505 883	13 656 843
Debt securities in issue	1 071 279	1 026 474	1 908 182
Liabilities arising on securitisation of other assets	109 107	110 679	116 544
Current taxation liabilities	36 329	43 470	132 693
Deferred taxation liabilities	20 010	22 112	19 713
Other liabilities	1 372 876	1 630 764	1 442 657
	21 072 260	**21 551 337**	**19 933 378**
Subordinated liabilities	790 305	787 030	811 584
	21 862 565	**22 338 367**	**20 744 962**
Equity			
Ordinary share capital	1 280 550	1 280 550	1 218 050
Share premium	199 538	199 538	162 038
Capital reserve	153 177	153 177	162 789
Other reserves	(6 079)	(11 071)	(12 936)
Retained income	479 064	455 609	481 789
Shareholder's equity excluding non-controlling interests	**2 106 250**	**2 077 803**	**2 011 730**
Additional Tier 1 securities in issue	250 000	250 000	250 000
Non-controlling interests in partially held subsidiaries	4 526	3 369	(6 526)
Total equity	**2 360 776**	**2 331 172**	**2 255 204**
Total liabilities and equity	**24 223 341**	**24 669 539**	**23 000 166**

* Software of £7.1 million (31 March 2020: £7.0 million; 30 September 2019: £8.8 million), which was previously reported within Intangible assets, is now reported as a separate line item. The prior period has been re-presented to reflect the same basis.

£'000	Six months to 30 Sept 2020	Year to 31 March 2020	Six months to 30 Sept 2019
Cash inflows from operations	77 100	132 063	100 236
Increase in operating assets	(31 294)	(3 921 007)	(1 322 225)
(Decrease)/Increase in operating liabilities	(442 800)	1 999 565	365 232
Net cash outflow from operating activities	**(396 994)**	**(1 789 379)**	**(856 757)**
Net cash (outflow)/inflow from investing activities	(8 666)	43 984	(4 899)
Net cash (outflow)/inflow from financing activities	(36 882)	46 911	(14 423)
Effects of exchange rate changes on cash and cash equivalents	7 040	(5 574)	(21)
Net decrease in cash and cash equivalents	**(435 502)**	**(1 704 058)**	**(876 100)**
Cash and cash equivalents at the beginning of the period	3 344 022	5 048 080	5 048 080
Cash and cash equivalents at the end of the period	**2 908 520**	**3 344 022**	**4 171 980**

Cash and cash equivalents are defined as including cash and balances at central banks and on demand loans and advances to banks (all of which have a maturity profile of less than three months).

Consolidated statement of changes in equity

£'000	Ordinary share capital	Share premium	Capital reserve account
At 1 April 2019	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2019 – 30 September 2019			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of ordinary shares	31 250	18 750	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 30 September 2019	**1 218 050**	**162 038**	**162 789**
Movement in reserves 1 October 2019 – 31 March 2020			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Movement in post retirement benefit liabilities	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Employee benefit liability recognised	–	–	–
Issue of ordinary shares	62 500	37 500	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer from capital reserve	–	–	(9 612)
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2020	**1 280 550**	**199 538**	**153 177**
Movement in reserves 1 April 2020 – 30 September 2020			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Losses on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Losses attributable to own credit risk	–	–	–
Movement in post retirement benefit liabilities	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Employee benefit liability recognised	–	–	–
Issue of ordinary shares	–	–	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 30 September 2020	**1 280 550**	**199 538**	**153 177**

Other reserves							
Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
2 084	**(354)**	**(21 377)**	**447 924**	**1 921 154**	**250 000**	**(7 926)**	**2 163 228**
—	—	—	60 690	60 690	—	(79)	60 611
(24)	—	(479)	—	(503)	—	—	(503)
(1 069)	—	—	—	(1 069)	—	—	(1 069)
860	—	—	—	860	—	—	860
—	5 881	—	—	5 881	—	(502)	5 379
—	—	1 542	—	1 542	—	—	1 542
(233)	**5 881**	**1 063**	**60 690**	**67 401**	**—**	**(581)**	**66 820**
—	—	—	(387)	(387)	—	—	(387)
—	—	—	—	50 000	—	—	50 000
—	—	—	(18 000)	(18 000)	—	—	(18 000)
—	—	—	(8 438)	(8 438)	8 438	—	—
—	—	—	—	—	(8 438)	—	(8 438)
—	—	—	—	—	—	1 981	1 981
1 851	**5 527**	**(20 314)**	**481 789**	**2 011 730**	**250 000**	**(6 526)**	**2 255 204**
—	—	—	(2 868)	(2 868)	—	943	(1 925)
(1 490)	—	232	—	(1 258)	—	—	(1 258)
(303)	—	—	—	(303)	—	—	(303)
2 411	—	—	—	2 411	—	—	2 411
—	(6 883)	—	—	(6 883)	—	502	(6 381)
—	—	7 898	—	7 898	—	—	7 898
—	—	—	51	51	—	—	51
618	**(6 883)**	**8 130**	**(2 817)**	**(952)**	**—**	**1 445**	**493**
—	—	—	(1 212)	(1 212)	—	—	(1 212)
—	—	—	(5 354)	(5 354)	—	—	(5 354)
—	—	—	—	100 000	—	—	100 000
—	—	—	(17 000)	(17 000)	—	—	(17 000)
—	—	—	(8 437)	(8 437)	8 437	—	—
—	—	—	—	—	(8 437)	—	(8 437)
—	—	—	9 612	—	—	—	—
—	—	—	(972)	(972)	—	8 450	7 478
2 469	**(1 356)**	**(12 184)**	**455 609**	**2 077 803**	**250 000**	**3 369**	**2 331 172**
—	—	—	31 188	31 188	—	(530)	30 658
1	—	—	—	1	—	—	1
835	—	—	—	835	—	—	835
(1 202)	—	—	—	(1 202)	—	—	(1 202)
—	6 324	—	—	6 324	—	—	6 324
—	—	(966)	—	(966)	—	—	(966)
—	—	—	(32)	(32)	—	—	(32)
(366)	**6 324**	**(966)**	**31 156**	**36 148**	**—**	**(530)**	**35 618**
—	—	—	6	6	—	—	6
—	—	—	731	731	—	—	731
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	(8 438)	(8 438)	8 438	—	—
—	—	—	—	—	(8 438)	—	(8 438)
—	—	—	—	—	—	1 687	1 687
2 103	**4 968**	**(13 150)**	**479 064**	**2 106 250**	**250 000**	**4 526**	**2 360 776**

Segmental business analysis – income statement

For the six months to 30 September 2020 **£'000**	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	1 597	190 243	191 840
Fee and commission income	153 389	72 933	226 322
Fee and commission expense	(385)	(6 093)	(6 478)
Investment income	47	26 199	26 246
Share of post taxation profit of associates and joint venture holdings	—	1 356	1 356
Trading income/(loss) arising from			
– customer flow	323	(20 404)	(20 081)
– balance sheet management and other trading activities	102	9 239	9 341
Other operating income	—	4 215	4 215
Total operating income before expected credit loss impairment charges	**155 073**	**277 688**	**432 761**
Expected credit loss impairment charges	(6)	(39 674)	(39 680)
Operating income	**155 067**	**238 014**	**393 081**
Operating costs*	(126 190)	(220 705)	(346 895)
Operating profit before acquired intangibles and strategic actions	**28 877**	**17 309**	**46 186**
Loss attributable to other non-controlling interests	—	530	530
Adjusted operating profit	**28 877**	**17 839**	**46 716**
Selected returns and key statistics			
Cost to income ratio	81.4%	79.3%	80.1%
Total assets (£'million)	995	23 228	24 223

Segmental business analysis – income statement

For the six months to 30 September 2019 **£'000**	Wealth & Investment	Specialist Banking	**Total group**
Net interest income	6 694	193 626	200 320
Fee and commission income	155 807	101 492	257 299
Fee and commission expense	(339)	(4 817)	(5 156)
Investment income	(372)	18 864	18 492
Share of post taxation profit of associates and joint venture holdings	—	595	595
Trading income/(loss) arising from			
– customer flow	483	45 253	45 736
– balance sheet management and other trading activities	17	(6 446)	(6 429)
Other operating income	—	2 584	2 584
Total operating income before expected credit loss impairment charges	**162 290**	**351 151**	**513 441**
Expected credit loss impairment release/(charges)	1	(16 026)	(16 025)
Operating income	**162 291**	**335 125**	**497 416**
Operating costs*	(131 836)	(252 498)	(384 334)
Operating profit before acquired intangibles and strategic actions	**30 455**	**82 627**	**113 082**
Loss attributable to other non-controlling interests	—	79	79
Adjusted operating profit	**30 455**	**82 706**	**113 161**
Selected returns and key statistics			
Cost to income ratio	81.2%	71.9%	74.8%
Total assets (£'million)	959	22 041	23 000

* Depreciation on operating leased assets of £0.4 million (30 September 2019: £0.8 million), which was previously reported as a separate line item, has been included in operating costs. The prior period has been restated to reflect the same basis.

Net interest income

For the six months to 30 September £'000	Notes	2020 Average balance sheet value*	2020 Interest income	2020 Average yield	2019 Average balance sheet value*	2019 Interest income	2019 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	7 757 738	14 941	0.39%	7 366 198	40 870	1.11%
Loans and advances	2	11 992 358	287 529	4.80%	10 675 649	291 456	5.46%
Private client		5 322 895	98 211	3.69%	4 326 587	91 142	4.21%
Corporate, institutional and other clients		6 669 463	189 318	5.68%	6 349 062	200 314	6.31%
advances		958 772	17 400	3.63%	719 828	14 339	3.98%
Other#	3	306 365	36 286	n/a	335 438	46 182	n/a
Total interest-earning assets		**21 015 233**	**356 156**	**3.39%**	**19 097 113**	**392 847**	**4.11%**

For the six months to 30 September £'000	Notes	2020 Average balance sheet value*	2020 Interest expense	2020 Average yield	2019 Average balance sheet value*	2019 Interest expense	2019 Average yield
Deposits by banks and other debt-related securities	4	2 885 933	17 036	1.18%	3 497 464	33 947	1.94%
Customer accounts (deposits)		16 131 367	76 881	0.95%	13 707 992	85 262	1.24%
Subordinated liabilities		790 805	24 125	6.10%	809 092	24 172	5.98%
Other#	5	459 493	46 274	n/a	497 112	49 146	n/a
Total interest-bearing liabilities		**20 267 598**	**164 316**	**1.62%**	**18 511 660**	**192 527**	**2.08%**
Net interest income			**191 840**			**200 320**	
Annualised net interest margin			**1.83%**			**2.10%**	

Notes:
1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers.
3 Comprises (as per the balance sheet) lease receivables (housed in Other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in Other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.
* We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line thirteen point (full year) or seven point (half year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the six months to 30 September 2020 would have been 1.87% (September 2019: 2.10%)

Net fee and commission income

For the six months to 30 September £'000	2020	2019
Wealth & Investment businesses net fee and commission income	**153 004**	**155 468**
Fund management fees/fees for assets under management	129 086	134 311
Private client transactional fees	24 303	21 496
Fee and commission expense	(385)	(339)
Specialist Banking net fee and commission income	**66 840**	**96 675**
Corporate and institutional transactional and advisory services	66 785	95 958
Private client transactional fees	6 148	5 534
Fee and commission expense	(6 093)	(4 817)
Net fee and commission income	**219 844**	**252 143**
Annuity fees (net of fees payable)	137 443	143 983
Deal fees	82 401	108 160

Investment income

For the six months to 30 September £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2020								
Realised	2 761	(13 337)	–	(10 576)	5 107	(110)	2 294	(3 285)
Unrealised*	13 049	28 145	–	41 194	141	(3 522)	(10 460)	27 353
Dividend income	7	1 011	–	1 018	–	–	–	1 018
Funding and other net related income	–	–	–	–	–	1 160	–	1 160
	15 817	**15 819**	**–**	**31 636**	**5 248**	**(2 472)**	**(8 166)**	**26 246**
2019								
Realised	(471)	46 501	14 661	60 691	3 707	(1 921)	563	63 040
Unrealised*	(1 073)	(35 401)	(6 726)	(43 200)	73	1 293	(4 392)	(46 226)
Dividend income	1	631	–	632	–	–	–	632
Funding and other net related income	–	–	–	–	–	1 046	–	1 046
	(1 543)	**11 731**	**7 935**	**18 123**	**3 780**	**418**	**(3 829)**	**18 492**

* In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.

Analysis of financial assets and liabilities by category of financial instruments

At 30 September 2020 **£'000**	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	**Total BS**
Assets				
Cash and balances at central banks	—	1 918 509	—	1 918 509
Loans and advances to banks	—	1 632 185	—	1 632 185
Reverse repurchase agreements and cash collateral on securities borrowed	69 903	2 114 014	—	2 183 917
Sovereign debt securities	1 537 996	—	—	1 537 996
Bank debt securities	65 645	—	—	65 645
Other debt securities	162 150	595 125	—	757 275
Derivative financial instruments*	900 732	—	—	900 732
Securities arising from trading activities	665 035	—	—	665 035
Investment portfolio	392 734	—	—	392 734
Loans and advances to customers	1 001 762	10 954 946	—	11 956 708
Other loans and advances	—	175 091	—	175 091
Other securitised assets	107 353	—	—	107 353
Interests in associated undertakings and joint venture holdings	—	—	7 265	7 265
Deferred taxation assets	—	—	120 441	120 441
Other assets	—	733 711	543 484	1 277 195
Property and equipment	—	—	202 038	202 038
Goodwill	—	—	253 058	253 058
Software	—	—	7 108	7 108
Other acquired intangible assets	—	—	63 056	63 056
	4 903 310	**18 123 581**	**1 196 450**	**24 223 341**
Liabilities				
Deposits by banks	313	1 384 016	—	1 384 329
Derivative financial instruments*	949 105	—	—	949 105
Other trading liabilities	101 542	—	—	101 542
Repurchase agreements and cash collateral on securities lent	23 218	169 375	—	192 593
Customer accounts (deposits)	—	15 835 090	—	15 835 090
Debt securities in issue	241 175	830 104	—	1 071 279
Liabilities arising on securitisation of other assets	109 107	—	—	109 107
Current taxation liabilities	—	—	36 329	36 329
Deferred taxation liabilities	—	—	20 010	20 010
Other liabilities	—	835 229	537 647	1 372 876
	1 424 460	**19 053 814**	**593 986**	**21 072 260**
Subordinated liabilities	355 364	434 941	—	790 305
	1 779 824	**19 488 755**	**593 986**	**21 862 565**

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
At 30 September 2020 **£'000**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	69 903	–	69 903	–
Sovereign debt securities	1 537 996	1 537 996	–	–
Bank debt securities	65 645	15 126	50 519	–
Other debt securities	162 150	–	27 815	134 335
Derivative financial instruments	900 732	17	870 801	29 914
Securities arising from trading activities	665 035	638 330	21 398	5 307
Investment portfolio	392 734	19 706	5 183	367 845
Loans and advances to customers	1 001 762	–	–	1 001 762
Other securitised assets	107 353	–	–	107 353
	4 903 310	**2 211 175**	**1 045 619**	**1 646 516**
Liabilities				
Deposits by banks	313	–	–	313
Derivative financial instruments	949 105	1 476	916 112	31 517
Other trading liabilities	101 542	101 542	–	–
Repurchase agreements and cash collateral on securities lent	23 218	–	23 218	–
Debt securities in issue	241 175	–	241 175	–
Liabilities arising on securitisation of other assets	109 107	–	–	109 107
Subordinated liabilities	355 364	355 364	–	–
	1 779 824	**458 382**	**1 180 505**	**140 937**
Net assets/(liabilities) at fair value	**3 123 486**	**1 752 793**	**(134 886)**	**1 505 579**

Transfers between level 1 and level 2

During the current year there were no transfers between level 1 and level 2.

Fair value hierarchy (continued)

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

£'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Assets					
Balance as at 1 April 2020	**339 086**	**1 067 376**	**106 218**	**178 840**	**1 691 520**
Total gains or (losses)	1 820	19 257	4 401	6 954	32 432
In the income statement	1 820	18 834	4 401	6 954	32 009
In the statement of comprehensive income	—	423	—	—	423
Purchases	33 622	364 217	—	265	398 104
Sales	(9 719)	(216 342)	—	(1 424)	(227 485)
Settlements	(424)	(231 773)	(3 266)	(10 680)	(246 143)
Transfers into level 3	—	7 802	—	141	7 943
Transfers out of level 3	—	—	—	(156)	(156)
Foreign exchange adjustments	3 460	(8 775)	—	(4 384)	(9 699)
Balance as at 30 September 2020	**367 845**	**1 001 762**	**107 353**	**169 556**	**1 646 516**

£'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 2020	**110 679**	**27 017**	**137 696**
Total (gains) or losses	3 191	6 867	10 058
In the income statement	3 191	6 867	10 058
Settlements	(4 763)	(937)	(5 700)
Transfers out of level 3	—	(153)	(153)
Foreign exchange adjustments	—	(964)	(964)
Balance as at 30 September 2020	**109 107**	**31 830**	**140 937**

1 Comprises level 3 other debt securities, derivative financial instruments and securities arising from trading.
2 Comprises level 3 deposits by banks and derivative financial instruments.

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

For the six months to 30 September 2020, following a review of the valuation methodology of a number of financial instruments, the following reclassifications were made during the period: loans and advances to customers of £7.8 million from level 2 to level 3; other assets of £0.1 million from level 2 to level 3; and derivative assets of £0.1 million and derivative liabilities of £0.1 million from level 3 to level 2.

Fair value hierarchy (continued)

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the six months to 30 September 2020 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Net interest income	31 650	20 433	11 217
Investment income	(5 136)	13 593	(18 729)
Trading income/(loss) arising from customer flow	(4 562)	—	(4 562)
	21 952	**34 026**	**(12 074)**
Total gains or (losses) included in other comprehensive income for the period			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 031)	(1 031)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	423	—	423
	(608)	**(1 031)**	**423**

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 30 September 2020 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	VALUATION BASIS/TECHNIQUES	MAIN ASSUMPTIONS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation	Discount rates
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	Discount rates

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Assets					
Other debt securities	134 335	Potential impact on income statement		4 971	(11 884)
		Credit spreads	0.3%-0.9%	15	(97)
		Cash flow adjustments	CPR 5.3%	984	(984)
		Discount rate	6.05%	1	(7)
		Underlying asset value^^	^^	437	(194)
		Other^	^	3 534	(10 602)
Derivative financial instruments	29 914	Potential impact on income statement		5 053	(5 929)
		Volatilities	3.6%-21.6%	236	(708)
		Underlying asset value^^	^^	4 661	(4 753)
		Other^	^	156	(468)
Securities arising from trading	5 307	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	891	(1 514)
Investment portfolio	367 845	Potential impact on income statement		42 710	(108 575)
		Price earnings multiple	4.2x-11.9x	6 045	(12 564)
		Underlying asset value^^	^^	8 053	(9 814)
		Other^	^	28 612	(86 197)
Loans and advances to customers	1 001 762	Potential impact on income statement		30 061	(57 713)
		Credit spreads	0.04%-5.3%	10 288	(16 908)
		Discount rate	5.00%	75	(220)
		Price earnings multiple	3.5x-7x	3 955	(502)
		Underlying asset value^^	^^	1 211	(2 945)
		Other^	^	14 532	(37 138)
		Potential impact on other comprehensive income			
		Credit spreads	0.08%-37.9%	9 387	(18 622)
Other securitised assets	107 353	Potential impact on income statement			
		Cash flow adjustments	CPR 5.3%	53	(78)
Total level 3 assets	**1 646 516**			**93 126**	**(204 315)**
Liabilities					
Deposits by banks	313	Potential impact on income statement			
		Underlying asset value^^	^^	(31)	94
Derivative financial instruments	31 517	Potential impact on income statement		(4 837)	5 278
		Volatilities	3.6%-21.6%	(221)	662
		Underlying asset value^^	^^	(4 616)	4 616
Liabilities arising on securitisation of other assets*	109 107	Potential impact on income statement			
		Cash flow adjustments	CPR 5.3%	(435)	380
Total level 3 liabilities	**140 937**			**(5 303)**	**5 752**
Net level 3 assets	**1 505 579**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.

^^ Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.

Within the Hong Kong portfolio there is a connected exposure across the investment portfolio and loans and advances to customers lines with a balance sheet value of £25 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.5 million and an unfavourable change of £7.5 million, included within the table above.

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flows valuation.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

EBITDA

A company’s earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

Fair value of financial instruments at amortised cost

At 30 September 2020 £'000	Carrying amount	Fair value
Assets		
Cash and balances at central banks	1 918 509	1 918 509
Loans and advances to banks	1 632 185	1 631 841
Reverse repurchase agreements and cash collateral on securities borrowed	2 114 014	2 114 218
Other debt securities	595 125	589 775
Loans and advances to customers	10 954 946	10 985 523
Other loans and advances	175 091	172 854
Other assets	733 711	733 555
	18 123 581	**18 146 275**
Liabilities		
Deposits by banks	1 384 016	1 390 051
Repurchase agreements and cash collateral on securities lent	169 375	169 524
Customer accounts (deposits)	15 835 090	15 892 319
Debt securities in issue	830 104	842 354
Other liabilities	835 229	834 324
Subordinated liabilities	434 941	431 105
	19 488 755	**19 559 677**

Expected credit losses impairment charges or (release)

For the six months to 30 September £'000	2020	2019
Expected credit losses have arisen on the following items:		
Loans and advances to customers	34 350	14 209
Other loans and advances	(13)	1
Other balance sheet assets	576	221
Off–balance sheet commitments	4 767	1 594
	39 680	**16 025**

Operating costs

For the six months to 30 September £'000	2020	2019
Staff costs	257 038	286 873
Premises expenses	19 594	19 198
Premises expenses (excluding depreciation)	7 475	7 390
Premises depreciation	12 119	11 808
Equipment expenses (excluding depreciation)	22 864	21 655
Business expenses	38 302	41 298
Marketing expenses	3 875	9 557
Depreciation, amortisation and impairment of equipment and intangibles	5 222	5 753
	346 895	**384 334**

Financial impact of strategic actions

£'000	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Closure and rundown of the Hong Kong direct investments business*	(2 158)	(49 469)	(89 257)
Financial impact of group restructures	—	11 584	(26 898)
Closure of Click & Invest	—	(4 020)	(4 309)
Sale of the Irish Wealth & Investment business	—	17 786	18 662
Restructure of the Irish branch	—	(1 265)	(41 110)
Other	—	(917)	(141)
Financial impact of strategic actions	**(2 158)**	**(37 885)**	**(116 155)**
Taxation on financial impact of strategic actions	381	10 497	19 856
Net financial impact of strategic actions	**(1 777)**	**(27 388)**	**(96 299)**

* Included within the balance are fair value losses of £0.1 million (30 September 2019: £44.6 million; 31 March 2020: £83.2 million).

Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

£'000	30 Sept 2020	31 March 2020
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	2 183 942	1 627 250
Expected credit loss	(25)	(4)
Net reserve repurchase agreements and cash collateral on securities borrowed	**2 183 917**	**1 627 246**
Reverse repurchase agreements	2 157 700	1 597 446
Cash collateral on securities borrowed	26 217	29 800
	2 183 917	**1 627 246**
Liabilities		
Repurchase agreements	144 552	370 910
Cash collateral on securities lent	48 041	25 901
	192 593	**396 811**

Extract of other debt securities

£'000	30 Sept 2020	31 March 2020
Gross other debt securities	758 576	696 586
Expected credit loss	(1 301)	(768)
Net other debt securities	**757 275**	**695 818**
Bonds	311 853	219 226
Commercial paper	9 670	9 881
Debentures	204	—
Asset-backed securities	435 548	466 711
	757 275	**695 818**

Extract of securities arising from trading activities

£'000	30 Sept 2020	31 March 2020
Asset-backed securities	5 307	6 200
Bonds	123 871	125 547
Government securities	320 990	372 785
Listed equities	214 867	78 161
	665 035	**582 693**

Extract of loans and advances to customers and other loans and advances

£'000	30 Sept 2020	31 March 2020
Gross loans and advances to customers at amortised cost	11 120 289	10 932 235
Gross loans and advances to customers at FVOCI^	454 901	421 841
Gross loans and advances to customers subject to expected credit losses	**11 575 190**	**11 354 076**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(165 343)	(173 207)
Net loans and advances to customers at amortised cost and FVOCI^	**11 409 847**	**11 180 869**
Loans and advances to customers at fair value through profit and loss	546 861	653 338
Loans and advances to customers	**11 956 708**	**11 834 207**
Gross other loans and advances	175 200	266 624
Expected credit losses on other loans and advances	(109)	(123)
Net other loans and advances	**175 091**	**266 501**

^ Expected credit losses above do not include £4.0 million (31 March 2020: £1.7 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

Other securitised assets

£'000	30 Sept 2020	31 March 2020
Loans and advances to customers	101 362	100 081
Other debt securities	5 991	6 137
	107 353	**106 218**

Other assets

£'000	30 Sept 2020	31 March 2020
Settlement debtors	664 331	790 884
Trading properties	28 222	36 081
Prepayments and accruals	103 368	107 684
Trading initial margins	—	27 221
Finance lease receivables	292 885	322 211
Other	188 389	178 078
	1 277 195	**1 462 159**

Debt securities in issue

£'000	30 Sept 2020	31 March 2020
Repayable in:		
Less than three months	40 376	49 328
Three months to one year	29 244	35 471
One to five years	826 095	706 462
Greater than five years	175 564	235 213
	1 071 279	**1 026 474**
Analysis by customer type:		
Retail	138 592	92 207
Wholesale	932 687	934 267
	1 071 279	**1 026 474**

Other liabilities

£'000	30 Sept 2020	31 March 2020
Settlement liabilities	602 433	813 820
Other creditors and accruals	208 353	239 179
Other non-interest bearing liabilities	113 195	95 594
Lease liabilities	440 419	478 558
Expected credit losses on off-balance sheet	8 476	3 613
	1 372 876	**1 630 764**

Extract of deferred taxation

£'000	30 Sept 2020	31 March 2020
Losses carried forward	**16 102**	18 211

Extract of subordinated liabilities

£'000	30 Sept 2020	31 March 2020
Issued by Investec Bank plc		
Remaining maturities:		
In one year or less, or on demand	—	—
In more than one year, but not more than two years	355 364	343 232
In more than two years, but not more than five years	—	—
In more than five years	434 941	443 798
	790 305	**787 030**

Medium-term notes

Subordinated fixed rate medium-term notes (denominated in Pounds Sterling) – accounted for as designated at fair value

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes are redeemable at par on 17 February 2022.

On 29 June 2011 Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due in 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

On 1 April 2019 the group adopted IFRS 9 Financial instruments which replaced IFRS 39 Financial instruments: recognition and measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 546 000 against its amortised cost value of £579 673 000 was an increase in disclosed liability of £136 891 000.

On 17 July 2018 Investec Bank plc completed a tender offer to purchase £267 038 000 aggregate nominal amount of the notes at a cash purchase price of 121.513 pence plus an accrued interest payment. The total value of the debt redeemed was £335 541 000.

Subordinated fixed rate reset callable medium-term notes (denominated in Pounds Sterling) – accounted for as amortised cost

On 24 July 2018 Investec Bank plc issued £420 000 000 of 4.25% subordinated notes due 2028 at a discount (2028 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 24 July 2028. The issuer has a one-time redemption option on the early redemption date 24 July 2023 subject to conditions.

Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 30 September 2020 **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Assets						
Cash and balances at central banks	1 918 509	—	1 918 509	—	—	1 918 509
Loans and advances to banks	1 632 185	—	1 632 185	—	(353 899)	1 278 286
Reverse repurchase agreements and cash collateral on securities borrowed	2 183 917	—	2 183 917	(94 957)	(6 567)	2 082 393
Sovereign debt securities	1 537 996	—	1 537 996	(321 117)	—	1 216 879
Bank debt securities	65 645	—	65 645	—	—	65 645
Other debt securities	757 275	—	757 275	—	—	757 275
Derivative financial instruments	900 732	—	900 732	(219 156)	(56 871)	624 705
Securities arising from trading activities	665 035	—	665 035	(291 685)	—	373 350
Investment portfolio	392 734	—	392 734	—	(2 080)	390 654
Loans and advances to customers	11 956 708	—	11 956 708	—	—	11 956 708
Other loans and advances	175 091	—	175 091	—	(9 747)	165 344
Other securitised assets	107 353	—	107 353	—	—	107 353
Other assets	1 277 195	—	1 277 195	—	—	1 277 195
	23 570 375	**—**	**23 570 375**	**(926 915)**	**(429 164)**	**22 214 296**
Liabilities						
Deposits by banks	1 384 329	—	1 384 329	—	(110 589)	1 273 740
Derivative financial instruments	949 105	—	949 105	(469 895)	(283 343)	195 867
Other trading liabilities	101 542	—	101 542	(94 957)	—	6 585
Repurchase agreements and cash collateral on securities lent	192 593	—	192 593	(122 364)	(14 208)	56 021
Customer accounts (deposits)	15 835 090	—	15 835 090	—	(17 468)	15 817 622
Debt securities in issue	1 071 279	—	1 071 279	(239 699)	(1 476)	830 104
Liabilities arising on securitisation of other assets	109 107	—	109 107	—	—	109 107
Other liabilities	1 372 876	—	1 372 876	—	(2 080)	1 370 796
Subordinated liabilities	790 305	—	790 305	—	—	790 305
	21 806 226	**—**	**21 806 226**	**(926 915)**	**(429 164)**	**20 450 147**

Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March 2020 **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Assets						
Cash and balances at central banks	2 277 318	—	2 277 318	—	—	2 277 318
Loans and advances to banks	1 793 867	—	1 793 867	—	(520 121)	1 273 746
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	—	1 627 246	(112 630)	(2 866)	1 511 750
Sovereign debt securities	1 688 670	—	1 688 670	(345 762)	—	1 342 908
Bank debt securities	51 238	—	51 238	—	—	51 238
Other debt securities	695 818	—	695 818	—	—	695 818
Derivative financial instruments	1 251 394	—	1 251 394	(361 561)	(92 796)	797 037
Securities arising from trading activities	582 693	—	582 693	(156 113)	—	426 580
Investment portfolio	350 662	—	350 662	—	(1 849)	348 813
Loans and advances to customers	11 834 207	—	11 834 207	—	—	11 834 207
Other loans and advances	266 501	—	266 501	—	(29 513)	236 988
Other securitised assets	106 218	—	106 218	—	—	106 218
Other assets	1 462 159	—	1 462 159	—	—	1 462 159
	23 987 991	**—**	**23 987 991**	**(976 066)**	**(647 145)**	**22 364 780**
Liabilities						
Deposits by banks	1 450 463	—	1 450 463	—	(97 479)	1 352 984
Derivative financial instruments	1 246 109	—	1 246 109	(599 022)	(452 485)	194 602
Other trading liabilities	118 572	—	118 572	(112 630)	—	5 942
Repurchase agreements and cash collateral on securities lent	396 811	—	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	15 505 883	—	15 505 883	—	(60 581)	15 445 302
Debt securities in issue	1 026 474	—	1 026 474	(216 831)	(3 084)	806 559
Liabilities arising on securitisation of other assets	110 679	—	110 679	—	—	110 679
Other liabilities	1 630 764	—	1 630 764	—	(1 849)	1 628 915
Subordinated liabilities	787 030	—	787 030	—	—	787 030
	22 272 785	**—**	**22 272 785**	**(976 066)**	**(647 145)**	**20 649 574**

Updates to accounting policies

Interest Rate Benchmark Reform (IBOR reform) Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Phase 2 of the IASB's IBOR project addresses the wider accounting issues arising from the IBOR reform. This was published in August 2020 and is awaiting endorsement. The amendments are effective for annual reporting periods beginning on or after 1 January 2021 with early application permitted. Conversion from LIBOR to alternative risk-free rates (RFRs) is expected to increase as RFR-based products become more widely available and key market-driven conversion events occur.

Re-presentation of balance sheet items

Software of £7.1 million (31 March 2020: £7.0 million; 30 September 2019: £8.8 million), which was previously reported within Intangible assets, is now reported as a separate line item. The prior period has been re-presented to reflect the same basis.

The re-presentation of software was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

Events after the reporting period

The significant judgements and estimates applied to prepare the interim financial statements as at 30 September 2020 reflected the impact of COVID-19 and the resulting impact on the economy as at the balance sheet date.

These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of COVID-19 and by applying the guidance issued by various international regulators and standard setting bodies.

The action of various governments and central banks, in particular in the United Kingdom, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict.

Subsequent to the balance sheet date, it was announced that various vaccine trials proved to be more than 90% effective and resultingly had a very positive impact on global markets. It still remains very difficult to predict when a full scale role out of the vaccine will take place. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 18 November 2020 did not identify additional information that requires these judgements and estimates to be updated. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations.

Investec Bank plc owns the appointed asset manager of Investec Australia Property Fund (IAPF). On 18 November 2020, the IAPF shareholders voted to purchase the asset management company for an amount of AUD$40 million subject to certain conditions.

The group is further not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

The following risk management and capital section will provide details on the quantitative disclosure required on a semi-annual basis. For additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2020.

Credit and counterparty risk management

Credit and counterparty risk description

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

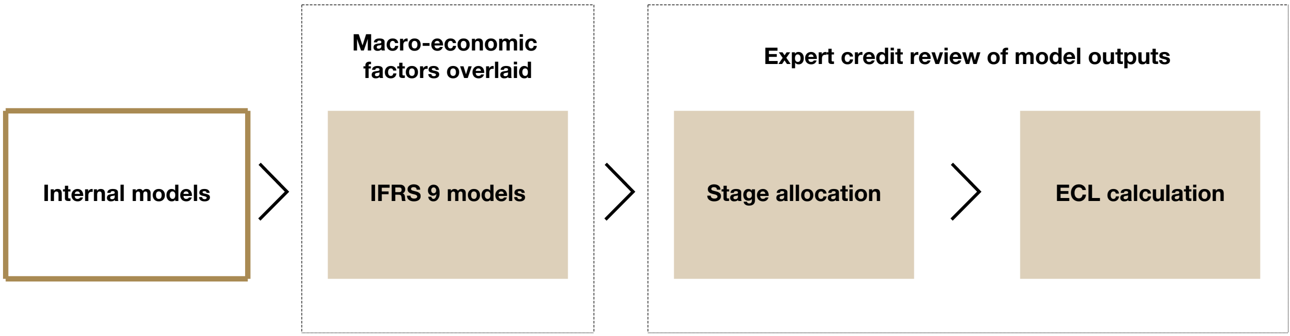
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

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

Process to determine ECL



ECLs are calculated using three main components:

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

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

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

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

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

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

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

Key judgements at 30 September 2020

COVID-19 has had a substantial impact on the macro-economic scenarios in place under IFRS 9. Where previously, since the implementation of IFRS 9, we have seen changes to underlying macro-economic factors, scenarios and weighting, the actual movements experienced in the period since 31 March 2020 under the base case have been of a scale and speed which has not previously been experienced in the bank's models given the idiosyncratic nature of the stress caused by the COVID-19 pandemic and the resulting social containment measures. As a result, these extreme and unprecedented economic conditions have identified limitations in aspects of our model design and calibration. Unresolved, this aspect of the models would result in a substantial over-prediction of default rates. The methodology itself was therefore reviewed and a number of changes were implemented, including certain judgements where necessary.

To address these limitations, mitigation measures have been utilised on certain macro-economic variables most impacted by COVID-19 to date based on the historical data used in the models' design to provide additional accuracy to the modelled ECL which allows the models to output ECL impairments in a reliable and unbiased way whilst still observing the economic trends being experienced.

Additionally, the current suite of IFRS 9 models provides limited differentiation between industries. In recent history, with events such as the global financial crisis, we have not seen a need for differentiation between industries given the historic relationship between the macro-economic factors and their impacts on all individuals, or all SMEs or all corporates alike. Under the current COVID-19 environment that has not been the case as certain sectors have been more directly impacted by the current environment than others. The methodology applied also ensures the models distinguish between sectors that are deemed more vulnerable to the direct impacts of the COVID-19 pandemic, based on expert judgement and external considerations. For more detail on COVID-19 vulnerable sectors please see page 34.

The £19 million ECL overlay from 31 March 2020, which had been held across the performing portfolio to capture risks not yet identified in the models due to COVID-19, has now been incorporated within the updated macro-economic scenarios applied. Additionally, a management overlay of £8 million at 31 March 2020, which had been considered appropriate in addition to the bank's calculated model-driven ECL due to uncertainty over the models' predictive capability, has been r due to the methodology implemented to account for over-prediction of default rates. The UK bank will continue to assess the appropriateness of this management overlay and expect that it could be re-introduced if economic forecasts improve substantially and there remain specific areas of model uncertainty at that time.

Forward-looking macro-economic scenarios

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

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

For Investec Bank plc, four macro-economic scenarios are used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

Since 31 March 2020 a material evaluation of economic scenarios has been undertaken given developments surrounding the COVID-19 pandemic. As such, the base case has been updated to reflect the unprecedented falls in GDP witnessed in the second quarter of 2020 and the latest views around the shape of the economic recovery in light of the most recent indicators. Additionally, the downside scenarios have been replaced with two new stress cases to better reflect the current risk backdrop. The downside 1 L-shape scenario has been included to reflect pandemic related risks, whilst rising Brexit risks have been addressed through the downside 2 No-free trade agreement (No-FTA) Brexit scenario.

Given the lack of a clear consensus forecast at the end of March, along with consideration of regulatory guidance and significant levels of government measures announced, an additional set of updated macro-economic scenarios (COVID-19 long and COVID-19 short) were applied resulting in a management overlay to capture the worsened economic environment. Given that the scenarios have been fully updated to reflect the latest macro-economic risk, the COVID-19 long and COVID-19 short scenarios are no longer required. Consequently, the scenario weights have been updated to reflect the latest balance of risks. The scenario weightings remain skewed to the downside. Notably, Brexit and the possibility of the UK leaving the transition period without a trade deal has a scenario weighting of 35%. The downside 1 L-shape scenario is weighted at 10%, base case at 50% and the upside at 5%.

The updated base case scenario assumes a strengthening economic recovery across the second half of 2020 benefiting from the easing of social restrictions that began in May 2020. Nonetheless, the recovery from the COVID-19 shock is prolonged with the UK not seeing the pre-COVID level of GDP (fourth quarter of 2019) being surpassed until 2022. This view is however highly dependent on the evolution of COVID-19 in the coming months. Beyond the near-term disruptions from the pandemic, GDP growth is assumed to return to trend rates of around 1.5% per annum. Further, one key assumption is that the UK and the EU strike a free trade agreement before the end of the transition period at the end of 2020, resulting in a smooth transition to the UK's new arrangements with the EU. Whilst a rise in unemployment is anticipated in the short term as government support schemes for the labour market expire, the longer term sees unemployment return close to pre-pandemic levels by the end of the forecast horizon. Amidst this backdrop, the BoE is assumed to raise interest rates very gradually from 2023 onwards. Globally, the situation is judged to be similar to that of the UK with economies in the major advanced countries recovering across 2020 and 2021. Monetary policy is expected to remain exceptionally accommodative for a prolonged period of time.

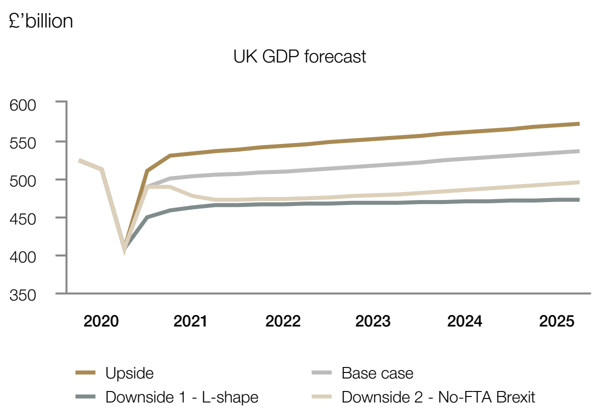
In light of the continuing pandemic, it was concluded that a COVID-19 related scenario would be appropriate, namely the downside 1 L-shape scenario. This scenario foresees a weaker than expected recovery from COVID-19 and permanent scarring from the crisis where GDP growth effectively stagnates over the forecast horizon. The weaker 2020 recovery and flat-lining of economic growth over 2021 is attributed to a continuing struggle with COVID-19 and cycles of tightening and loosening of social restrictions. A notable feature of this scenario is that it includes the BoE taking interest rates negative, a risk which has recently emerged.

The downside 2 No-FTA Brexit scenario assumes that the UK and the EU fail to reach an agreement over a post-transition period trade deal. The economic disruption caused by the UK's return to tariffs and border checks with the EU sees the UK enter another period of economic contraction in the first and second quarter of 2021. Sterling falls sharply and inflation rises in the near term, but the BoE responds with additional easing in the form of quantitative easing (QE).

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

The upside case envisages a quicker than expected recovery from the COVID-19 pandemic with GDP recovering its pre-crisis peak by the end of 2020. Economic activity is expected to return to trend levels thereafter and central bank policy rates to be tightened across the forecast horizon.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 30 September 2020.



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

	At 30 September 2020 average 2020 – 2025				At 31 March 2020 average 2020 – 2025					
Macro-economic scenarios	**Upside %**	**Base case %**	**Downside 1 L-shape %**	**Downside 2 No-FTA Brexit %**	Upside %	Base case %	Downside 1 Global %	Downside 2 Stagnation %	COVID-19 short scenario %	COVID-19 long scenario %
UK										
GDP growth	2.1	0.7	(1.7)	(1.0)	2.7	1.5	0.2	0.4	1.0	0.1
Unemployment rate	3.9	5.4	7.7	7.5	4.2	4.1	6.3	5.2	6.5	7.9
House price growth	2.5	1.4	(0.9)	(0.8)	2.8	2.5	(2.1)	(1.7)	0.5	(1.9)
Bank of England – Bank rate	0.9	0.2	(0.3)	0.1	2.3	1.2	0.2	0.0	0.1	0.1
Euro area										
GDP growth	1.9	0.7	(1.0)	0.1	2.7	1.4	0.3	0.2	n/a	n/a
US										
GDP growth	2.6	1.4	0.1	1.4	2.7	1.8	0.2	0.6	n/a	n/a
Scenario weightings	**5**	**50**	**10**	**35**	**10**	**55**	**15**	**20**	**75**	**25**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 30 September 2020.

	Financial years				
Base case %	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
UK					
GDP growth	(8.7)	6.7	1.5	1.6	1.6
Unemployment rate	6.1	6.7	5.5	4.5	4.3
House price growth	(4.7)	4.1	2.7	2.4	2.4
Bank of England – Bank rate	0.1	0.1	0.1	0.2	0.5
Euro area					
GDP growth	(7.4)	6.4	1.5	1.5	1.5
US					
GDP growth	(3.6)	5.1	1.7	1.8	1.7

The following table shows percentage change in forecast economic factors for the two downside scenarios from the end of the fourth quarter 2019 based on the economic forecasts in place as at 30 September 2020.

	Financial years				
% change since Q4 2019	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
GDP					
Downside 1 L-shape	(11.7)	(11.0)	(10.7)	(10.3)	(10.0)
Downside 2 No-FTA Brexit	(9.0)	(9.7)	(8.8)	(7.4)	(5.9)
Residential property prices					
Downside 1 L-shape	(9.0)	(7.3)	(6.2)	(5.4)	(4.7)
Downside 2 No-FTA Brexit	(7.7)	(9.4)	(7.9)	(5.8)	(3.6)
Commercial property prices					
Downside 1 L-shape	(20.0)	(18.0)	(17.2)	(16.7)	(16.3)
Downside 2 No-FTA Brexit	(20.1)	(22.9)	(21.4)	(19.8)	(18.2)

An analysis of gross core loans, asset quality and ECL

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

Net core loans increased £121million since 31 March 2020 to £12.0 billion (2.0% annualised growth). Loan growth has predominantly been driven by high net worth mortgages as well as other private client lending, although overall growth was impacted by lower client lending activity due to COVID-19.

The overall loan portfolio continues to hold up well despite the macro environment. Stage 3 exposures have reduced from 3.3% of gross core loans subject to ECL at 31 March 2020 to 3.0% at 30 September 2020. Of these Stage 3 exposures 2.0% relate to Ongoing (2.2% at 31 March 2020). In the UK, the Legacy portfolio is predominantly reported in Stage 3 and makes up 33.9% of Stage 3 gross core loans. These assets have been significantly provided for and coverage for these Legacy assets remains high at 38.2%.

Stage 2 exposures increased from 5.1% at 31 March 2020 to 11.5% at 30 September 2020, reflecting deterioration in the forward looking recognition of impairment charges under IFRS9 incorporating deteriorating macroeconomic scenarios and weightings. Of the increase in Stage 2, 97% relates to the impact of the weakened IFRS9 macro-economic scenarios and the heightened adverse impact on certain vulnerable sectors. Overall coverage for Stage 2 totals 3.3% at 30 September 2020 (4.8% at 30 September 2019), slightly reduced given a significant proportion of Stage 2 was from lower risk exposures, transferred into Stage 2 based on the deteriorating forward-looking view on their credit performance under current macro-economic expectations rather than specific credit concerns.

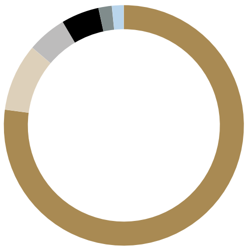
£'million	**30 Sept 2020**	31 March 2020
Gross core loans	**12 122**	**12 007**
Gross core loans at FVPL	547	653
Gross core loans subject to ECL*	**11 575**	**11 354**
Stage 1	9 898	10 399
Stage 2	1 332	576
of which past due greater than 30 days	*13*	*31*
Stage 3	345	379
*of which Ongoing (excluding Legacy) Stage 3**	*228*	*249*
ECL	**(169)**	**(175)**
Stage 1	(33)	(37)
Stage 2	(44)	(31)
Stage 3	(92)	(107)
*of which Ongoing (excluding Legacy) Stage 3**	*(47)*	*(62)*
Coverage ratio		
Stage 1	0.3%	0.4%
Stage 2	3.3%	5.4%
Stage 3	26.7%	28.2%
*of which Ongoing (excluding Legacy) Stage 3**	*20.6%*	*24.9%*
Annualised credit loss ratio	**0.60%**	**0.69%**
ECL impairment charges on core loans	(34)	(74)
Average gross core loans subject to ECL	11 465	10 609
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	253	272
*of which Ongoing (excluding Legacy) Stage 3**	*181*	*187*
Aggregate collateral and other credit enhancements on Stage 3	257	274
Stage 3 as a % of gross core loans subject to ECL	3.0%	3.3%
*of which Ongoing (excluding Legacy) Stage 3**	*2.0%*	*2.2%*
Stage 3 net of ECL as a % of net core loans subject to ECL	2.2%	2.4%
*of which Ongoing (excluding Legacy) Stage 3**	*1.6%*	*1.7%*

* Refer to definitions on page 55. Our exposure (net of ECL) to the UK Legacy portfolio* has reduced from £111 million at 31 March 2020 to £94 million at 30 September 2020. These assets are substantially impaired and are largely reported under Stage 3.

An analysis of gross core loans by country of exposure

30 September 2020

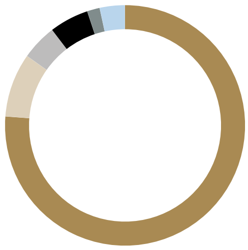
£12 122 million



■	United Kingdom	77.1%
■	Europe (excluding UK)	9.1%
■	North America	5.3%
■	Australia	5.1%
■	Asia	1.8%
■	Other	1.6%

31 March 2020

£12 007 million



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

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

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2020 to 30 September 2020. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 2 was almost all driven by the deteriorated economic outlook and corresponding PD deterioration in the loan book resulting in model-driven significant increase in credit risk (SICR) for these exposures. Transfers into Stage 3 are reduced reflecting limited new defaults experienced to date supported in part by government measures in place. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. The ECL impact of changes to risk parameters and models during the period largely relate to the deteriorated macro-economic scenarios and relative weightings as a result of the COVID-19 pandemic in the UK. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2020. Further analysis as at 30 September 2020 of gross core loans subject to ECL and their ECL balances is shown in 'An analysis of core loans by risk category' on the following pages.

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2020	**10 399**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 354**	**(175)**
Transfer from Stage 1	(933)	4	918	(4)	15	—	—	—
Transfer from Stage 2	94	(1)	(150)	2	56	(1)	—	—
Transfer from Stage 3	4	—	8	—	(12)	—	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(10)	—	(8)	—	(17)
New lending net of repayments (includes assets written off)	306	1	(25)	(1)	(93)	24	188	24
Changes to risk parameters and models	—	(1)	—	—	—	—	—	(1)
Foreign exchange and other	28	—	5	—	—	—	33	—
At 30 September 2020	**9 898**	**(33)**	**1 332**	**(44)**	**345**	**(92)**	**11 575**	**(169)**

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2019	**8 969**	**(14)**	**576**	**(27)**	**319**	**(108)**	**9 864**	**(149)**
Transfer from Stage 1	(135)	—	125	—	10	—	—	—
Transfer from Stage 2	86	(1)	(114)	2	28	(1)	—	—
Transfer from Stage 3	1	—	1	—	(2)	—	—	—
ECL remeasurement arising from transfer of stage	—	1	—	(1)	—	(5)	—	(5)
New lending net of repayments (includes assets written off)	327	—	(53)	1	(41)	23	233	24
Changes to risk parameters and models	—	(5)	—	—	—	—	—	(5)
Foreign exchange and other	76	1	7	(1)	3	(1)	86	(1)
At 30 September 2019	**9 324**	**(18)**	**542**	**(26)**	**317**	**(92)**	**10 183**	**(136)**

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

£'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL	Gross core loans
	Gross core loans at amortised cost and FVOCI									
At 30 September 2020										
Commercial real estate	**1 045**	**(2)**	**132**	**(14)**	**124**	**(16)**	**1 301**	**(32)**	**43**	**1 344**
Commercial real estate – investment	811	(1)	124	(13)	121	(16)	1 056	(30)	39	1 095
Commercial real estate – development	234	(1)	2	—	3	—	239	(1)	4	243
Commercial vacant land and planning	—	—	6	(1)	—	—	6	(1)	—	6
Residential real estate	**596**	**—**	**16**	**—**	**86**	**(34)**	**698**	**(34)**	**16**	**714**
Residential real estate – investment	260	—	15	—	18	(7)	293	(7)	14	307
Residential real estate – development	336	—	—	—	36	(7)	372	(7)	—	372
Residential vacant land and planning	—	—	1	—	32	(20)	33	(20)	2	35
Total lending collateralised by property	**1 641**	**(2)**	**148**	**(14)**	**210**	**(50)**	**1 999**	**(66)**	**59**	**2 058**
Coverage ratio	**0.12%**		**9.5%**		**23.8%**		**3.3%**			
At 31 March 2020										
Commercial real estate	**983**	**(1)**	**105**	**(12)**	**125**	**(12)**	**1 213**	**(25)**	**42**	**1 255**
Commercial real estate – investment	803	(1)	99	(11)	122	(12)	1 024	(24)	38	1 062
Commercial real estate – development	180	—	—	—	3	—	183	—	4	187
Commercial vacant land and planning	—	—	6	(1)	—	—	6	(1)	—	6
Residential real estate	**607**	**—**	**12**	**—**	**108**	**(39)**	**727**	**(39)**	**30**	**757**
Residential real estate – investment	253	—	8	—	36	(12)	297	(12)	28	325
Residential real estate – development	354	—	3	—	38	(8)	395	(8)	—	395
Residential vacant land and planning	—	—	1	—	34	(19)	35	(19)	2	37
Total lending collateralised by property	**1 590**	**(1)**	**117**	**(12)**	**233**	**(51)**	**1 940**	**(64)**	**72**	**2 012**
Coverage ratio	**0.06%**		**10.3%**		**21.9%**		**3.3%**			

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

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2020										
Mortgages	2 710	(1)	27	—	15	(1)	2 752	(2)	—	2 752
High net worth and specialised lending	717	(1)	21	(1)	4	(3)	742	(5)	10	752
Total high net worth and other private client lending	**3 427**	**(2)**	**48**	**(1)**	**19**	**(4)**	**3 494**	**(7)**	**10**	**3 504**
Coverage ratio	**0.06%**		**2.1%**		**21.1%**		**0.2%**			
At 31 March 2020										
Mortgages	2 438	(2)	19	—	28	(1)	2 485	(3)	—	2 485
High net worth and specialised lending	620	—	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio	**0.07%**		**3.3%**		**12.5%**		**0.2%**			

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

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2020										
Corporate and acquisition finance	1 184	(10)	385	(14)	20	(1)	1 589	(25)	71	1 660
Asset-based lending	219	(2)	146	(2)	—	—	365	(4)	20	385
Fund finance	1 184	(1)	81	—	—	—	1 265	(1)	32	1 297
Other corporate and financial institutions and governments	477	(2)	144	(3)	4	(1)	625	(6)	148	773
Asset finance	1 400	(13)	328	(8)	67	(35)	1 795	(56)	164	1 959
Small ticket asset finance	1 400	(13)	307	(7)	43	(21)	1 750	(41)	—	1 750
Large ticket asset finance	—	—	21	(1)	24	(14)	45	(15)	164	209
Power and infrastructure finance	319	(1)	52	(2)	25	(1)	396	(4)	43	439
Resource finance	47	—	—	—	—	—	47	—	—	47
Total corporate and other lending	**4 830**	**(29)**	**1 136**	**(29)**	**116**	**(38)**	**6 082**	**(96)**	**478**	**6 560**
Coverage ratio	**0.60%**		**2.6%**		**32.8%**		**1.6%**			
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	367	(2)	36	(1)	—	—	403	(3)	20	423
Fund finance	1 293	(2)	—	—	—	—	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	—	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 578	(11)	143	(7)	28	(15)	1 749	(33)	—	1 749
Large ticket asset finance	25	—	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	—	77	(3)	8	—	424	(3)	80	504
Resource finance	51	—	—	—	—	—	51	—	—	51
Total corporate and other lending	**5 751**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 294**	**(104)**	**567**	**6 861**
Coverage ratio	**0.59%**		**4.2%**		**45.6%**		**1.7%**			

An analysis of COVID-19 relief measures and vulnerable sectors

Government schemes

In the UK, we have sought to be able to offer additional support for our clients including UK SME businesses. We became accredited to lend under the various schemes introduced by the UK government, including the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS). So far we have committed to lend £56 million under these schemes and we are well placed to further support our clients with these schemes where required and appropriate.

An analysis of COVID-19 relief measures

We have sought to help our clients wherever possible, including UK small and medium-sized enterprises (SMEs), our banking clients, corporates and others, providing payment holidays and other forms of COVID-19 relief measures including covenant waivers to assist clients in difficulty due to COVID-19 induced lockdowns and the significant slow-down in economic activity. We have structured different types of support to most appropriately suit diverse client needs. We remain in close contact with each of these clients, and are constantly monitoring the situation. COVID-19 relief measures currently in place have reduced from a peak of 13.7% of gross core loans at end June 2020 to 9.1% at 30 September 2020. 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.

	30 September 2020		
£'million	**Total gross core loans**	**Exposure with active COVID-19 relief**	**COVID-19 relief as a % of gross core loans by category**
Lending collateralised by property	**2 058**	**138**	**6.7%**
Commercial real estate	1 344	119	8.9%
Residential real estate	714	19	2.7%
High net worth and other private client lending	**3 504**	**137**	**3.9%**
Mortgages	2 752	73	2.7%
High net worth and specialised lending	752	64	8.5%
Corporate and other lending	**6 560**	**824**	**12.6%**
Total	**12 122**	**1 099**	**9.1%**

An analysis of COVID-19 vulnerable sectors

	30 September 2020					31 March 2020				
£'million	**Stage 1**	**Stage 2**	**Stage 3**	**FVPL**	**Total gross core loans**	Stage 1	Stage 2	Stage 3	FVPL	**Total gross core loans**
Aviation	46	109	—	297	452	142	—	—	341	483
Transport (excluding aviation)	—	108	28	1	137	153	26	25	1	205
Retail, hotel and leisure properties^	82	16	65	27	190	82	13	64	27	186
Leisure, entertainment and tourism	7	66	—	—	73	103	—	—	—	103
Retailers	20	37	11	6	74	46	41	—	5	92
Vulnerable sectors within small ticket asset finance	559	135	18	—	712	609	61	12	—	682
Total	**714**	**471**	**122**	**331**	**1 638**	1 135	141	101	374	**1 751**
Coverage ratio	**0.70%**	**3.2%**	**26.2%**	**—**	**3.2%**	0.5%	3.5%	26.7%	—	**2.2%**

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

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £23.7 billion at 30 September 2020. Cash and near cash balances amounted to £6.2 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 99% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	**30 Sept 2020**	31 March 2020
Cash and balances at central banks	1 919	2 277
Loans and advances to banks	1 632	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	2 184	1 627
Sovereign debt securities	1 538	1 689
Bank debt securities	66	51
Other debt securities	721	659
Derivative financial instruments	795	1 006
Securities arising from trading activities	446	498
Loans and advances to customers	12 122	12 007
Other loans and advances	135	197
Other securitised assets	6	8
Other assets	85	92
Total on-balance sheet exposures	**21 649**	**21 905**
Guarantees	41	77
Committed facilities related to loans and advances to customers	1 731	1 318
Contingent liabilities, letters of credit and other	292	269
Total off-balance sheet exposures	**2 064**	**1 664**
Total gross credit and counterparty exposures	**23 713**	**23 569**

A further analysis of gross credit and counterparty exposures

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

At 30 September 2020 **£'million**	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL#	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	1 919	—	1 919	—	—	1 919
Loans and advances to banks	1 632	—	1 632	—	—	1 632
Reverse repurchase agreements and cash collateral on securities borrowed	2 184	70	2 114	—	—	2 184
Sovereign debt securities	1 538	634	904	—	—	1 538
Bank debt securities	66	51	15	—	—	66
Other debt securities	721	162	559	(1)	37	757
Derivative financial instruments	795	795	—	—	106	901
Securities arising from trading activities	446	446	—	—	219	665
Investment portfolio	—	—	—	—	393*	393
Loans and advances to customers	12 122	547	11 575	(169)	—	11 953
Other loans and advances	135	—	135	—	40	175
Other securitised assets	6	6	—	—	101^	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	7	7
Deferred taxation assets	—	—	—	—	120	120
Other assets	85	—	85	—	1 192**	1 277
Property and equipment	—	—	—	—	202	202
Goodwill	—	—	—	—	253	253
Intangible assets	—	—	—	—	63	63
Software	—	—	—	—	7	7
Total on-balance sheet exposures	**21 649**	**2 711**	**18 938**	**(170)**	**2 740**	**24 219**
Guarantees	41	—	41	—	—	41
Committed facilities related to loans and advances to customers	1 731	22	1 709	(9)	—	1 722
Contingent liabilities, letters of credit and other	292	—	292	—	229	521
Total off-balance sheet exposures	**2 064**	**22**	**2 042**	**(9)**	**229**	**2 284**
Total exposures	**23 713**	**2 733**	**20 980**	**(179)**	**2 969**	**26 503**

ECLs include £4.0 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.
* Relates to exposures that are classified as investment risk in the banking book.
^ While the bank manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the bank. The net credit exposure that the bank has in the vehicles is reflected in the 'total credit and counterparty exposure'.
** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

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

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

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

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

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

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

Gross credit and counterparty exposures by residual contractual maturity

At 30 September 2020 **£'million**	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	**Total**
Cash and balances at central banks	1 919	—	—	—	—	—	1 919
Loans and advances to banks	1 610	—	—	22	—	—	1 632
Reverse repurchase agreements and cash collateral on securities borrowed	1 803	110	155	116	—	—	2 184
Sovereign debt securities	505	144	31	248	87	523	1 538
Bank debt securities	—	51	—	5	10	—	66
Other debt securities	147	3	—	85	102	384	721
Derivative financial instruments	135	59	81	240	204	76	795
Securities arising from trading activities		1	2	58	81	304	446
Loans and advances to customers	1 089	841	1 407	6 540	1 474	771	12 122
Other loans and advances	10	—	—	—	43	82	135
Other securitised assets	—	—	—	—	—	6	6
Other assets	85	—	—	—	—	—	85
Total on-balance sheet exposures	**7 303**	**1 209**	**1 676**	**7 314**	**2 001**	**2 146**	**21 649**
Guarantees	2	5	—	13	20	1	41
Committed facilities related to loans and advances to customers	73	56	228	1 041	297	36	1 731
Contingent liabilities, letters of credit and other	37	2	—	202	51	—	292
Total off-balance sheet exposures	**112**	**63**	**228**	**1 256**	**368**	**37**	**2 064**
Total gross credit and counterparty exposures	**7 415**	**1 272**	**1 904**	**8 570**	**2 369**	**2 183**	**23 713**

Detailed analysis of gross credit and counterparty exposures by industry

At 30 September 2020 £'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	—	—	—	—	1 919	—	—
Loans and advances to banks	—	—	—	—	—	—	1 632
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	—	2 184
Sovereign debt securities	—	—	—	—	1 538	—	—
Bank debt securities	—	—	—	—	—	—	66
Other debt securities	—	—	—	44	7	2	443
Derivative financial instruments	—	7	1	126	2	17	391
Securities arising from trading activities	—	—	—	—	320	2	122
Loans and advances to customers	3 504	2 058	14	443	195	1 188	1 589
Other loans and advances	—	—	—	—	—	—	116
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	2	51
Total on-balance sheet exposures	**3 504**	**2 065**	**15**	**613**	**3 981**	**1 211**	**6 594**
Guarantees	10	—	—	1	—	—	23
Committed facilities related to loans and advances to customers	124	334	—	210	38	272	379
Contingent liabilities, letters of credit and other	18	—	—	126	—	3	119
Total off-balance sheet exposures	**152**	**334**	**—**	**337**	**38**	**275**	**521**
Total gross credit and counterparty exposures	**3 656**	**2 399**	**15**	**950**	**4 019**	**1 486**	**7 115**

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	1 919
—	—	—	—	—	—	—	—	—	1 632
—	—	—	—	—	—	—	—	—	2 184
—	—	—	—	—	—	—	—	—	1 538
—	—	—	—	—	—	—	—	—	66
—	—	—	140	—	—	—	77	8	721
25	19	1	—	14	40	—	150	2	795
—	—	—	2	—	—	—	—	—	446
264	850	122	—	143	266	128	1 161	197	12 122
—	—	—	18	1	—	—	—	—	135
—	—	—	6	—	—	—	—	—	6
—	1	—	—	—	—	31	—	—	85
289	**870**	**123**	**166**	**158**	**306**	**159**	**1 388**	**207**	**21 649**
—	—	—	—	1	—	—	6	—	41
37	69	13	—	40	155	2	23	35	1 731
6	2	—	—	—	18	—	—	—	292
43	**71**	**13**	**—**	**41**	**173**	**2**	**29**	**35**	**2 064**
332	**941**	**136**	**166**	**199**	**479**	**161**	**1 417**	**242**	**23 713**

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

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

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

Investment risk in the banking book

Investment risk in the banking book comprises 1.7% of total assets at 30 September 2020.

Summary of investments held and stress testing analyses

An analysis of income and revaluations of these investments can be found in the investment income note on page 10. In addition, revaluations of certain assets reported below relating to the Hong Kong direct investments business can be found on page 18. The balance sheet value of investments is indicated in the table below.

£'million **Category**	**On-balance sheet value of investments 30 Sept 2020**	**Valuation change stress test 30 Sept 2020***	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments	373	56	343	51
Listed equities	20	5	8	2
Total investment portfolio	**393**	**61**	**351**	**53**
Trading properties	28	5	36	7
Warrants and profit shares	2	1	2	1
Total	**423**	**67**	**389**	**61**

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

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

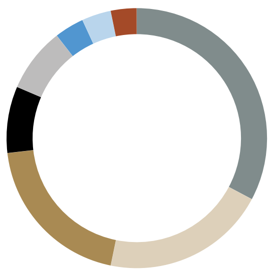
Stress testing summary

Based on the information at 30 September 2020, as reflected above, we could have a £67 million reversal in revenue (which assumes a year in which there is a "severe stress scenario" simultaneously across all asset classes). This would not necessarily cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high.

An analysis of the investment portfolio, warrants and profit shares

30 September 2020

£395 million



Finance and insurance	32.8%
Manufacturing and commerce	20.4%
Real estate	20.0%
Communication	8.3%
Retailers and wholesalers	8.0%
Other	3.7%
Business services	3.6%
Transport	3.2%

Securitisation/structured credit activities exposures

Overview

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

The new securitisation framework is followed when calculating capital requirements for securitisation positions.

Credit analysis

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

Nature of exposure/activity	**Exposure 30 Sept 2020 £'million**	Exposure 31 March 2020 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	486	528	Other debt securities and other loans and advances
Rated	480	522	
Unrated	6	6	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US corporate loans	268	54	—	—	—	—	322	—	322
UK RMBS	57	99	1	1	—	—	158	6	164
Total at 30 September 2020	**325**	**153**	**1**	**1**	**—**	**—**	**480**	**6**	**486**
Total at 31 March 2020	**375**	**140**	**6**	**1**	**—**	**—**	**522**	**6**	**528**

Market risk in the trading book

Traded market risk

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses. The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow.

Trading income from customer flow amounted to a net loss of £20.4 million, impacted by £53 million of risk management and risk reduction costs on hedging our structured products book following the market dislocation and dividend cancellations. We anticipate a similar level of risk management and risk reduction costs in the second half of the 2021 financial year as we continue to reduce the risk on the book. Risk reduction costs include the purchase of protection against a repeat of the severe market moves experienced in March and April 2020.

Measurement of traded market risk

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

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

Value at Risk

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

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

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

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

	30 September 2020				31 March 2020			
95% one-day VaR £'000	**Period end**	Average	High	Low	**Year end**	Average	High	Low
Equities	647	1 082	2 021	337	1 549	571	1 549	286
Foreign exchange	10	13	47	1	33	11	68	1
Interest rates	63	68	94	53	82	107	132	67
Credit	250	324	455	221	438	32	509	1
Consolidated*	**759**	**1 209**	**2 155**	**465**	**1 478**	**574**	**1 478**	**301**

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

Expected shortfall

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

95% one-day ES **£'000**	**30 Sept 2020** **Period end**	31 March 2020 Year end
Equities	1 046	1 966
Foreign exchange	21	47
Interest rates	90	107
Credit	337	723
Consolidated*	**1 202**	**1 837**

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

Stressed VaR

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

£'000	**30 Sept 2020** **Period end**	31 March 2020 Year end
99% one-day sVaR	**1 398**	**2 878**

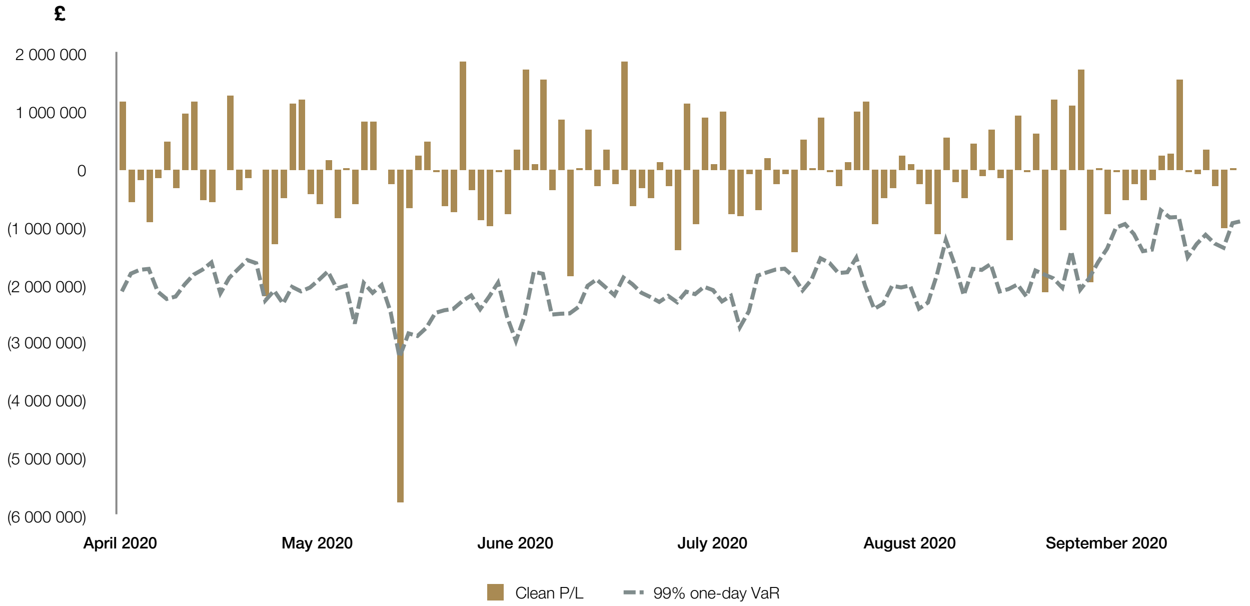
Backtesting

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

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

The average VaR for the six months to 30 September 2020 was higher than for the year ended 31 March 2020. Using clean profit and loss data for backtesting resulted in three exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is slightly more than expected at this confidence level and is mainly due to extreme market volatility in the equity markets.

99% one-day VaR backtesting



Stress testing

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

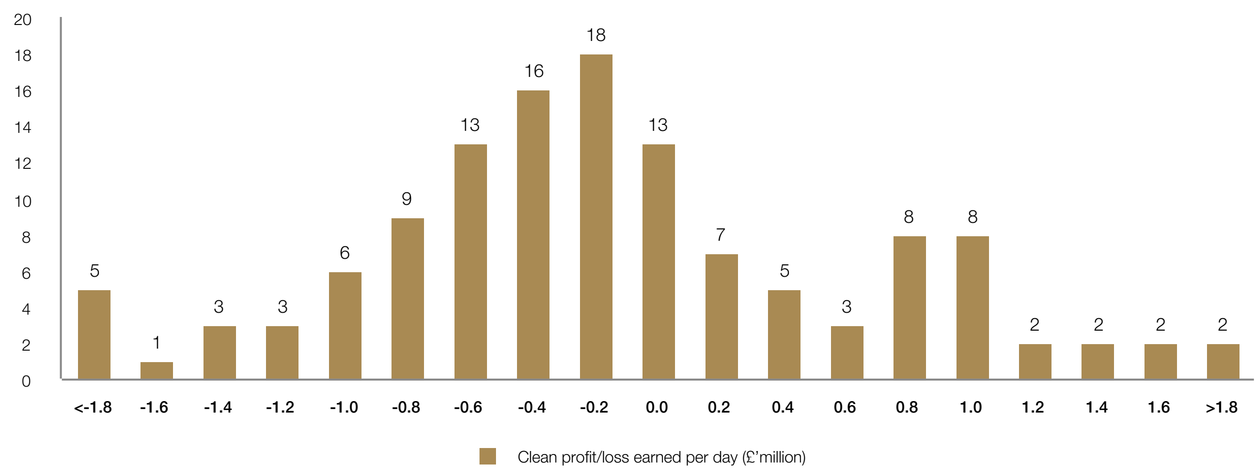
99% EVT **£'000**	**30 Sept 2020** **Period end**	31 March 2020 Year end
Equities	4 747	3 433
Foreign exchange	91	133
Interest rates	242	201
Credit	939	2 359
Consolidated#	**5 229**	**3 235**

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

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 52 days out of a total of 126 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2020 was -£85 084 (six months to 30 September 2019: -£33 171).

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



Balance sheet risk management

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

Liquidity risk

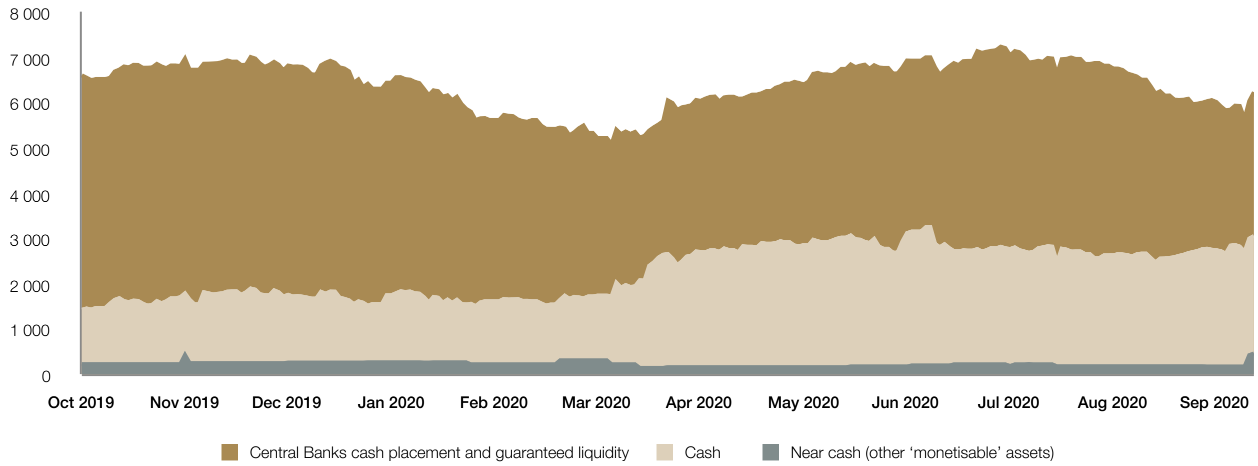
Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

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

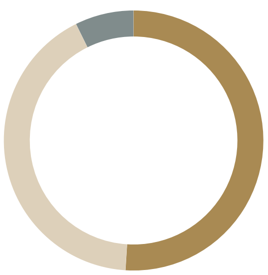
Cash and near cash trend

£'million



An analysis of cash and near cash at 30 September 2020

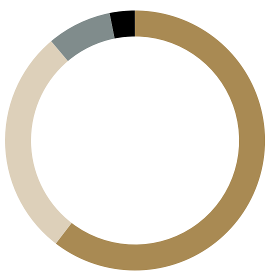
£6 222 million



Central Bank cash placements and guaranteed liquidity	51.0%
Cash	41.7%
Near cash (other 'monetisable' assets)	7.3%

Bank and non-bank depositor concentration by type at 30 September 2020

£17 219 million



Individuals	60.5%
Other financial institutions and corporates	28.4%
Banks	8.0%
Small business	3.1%

Liquidity mismatch

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

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

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

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

Contractual liquidity at 30 September 2020

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	3 367	162	—	—	—	22	—	3 551
Investment/trading assets	1 223	1 226	355	263	246	1 057	2 141	6 511
Securitised assets	—	—	—	—	—	11	96	107
Advances	151	482	606	775	1 673	6 121	2 324	12 132
Other assets	75	683	79	52	147	338	548	1 922
Assets	**4 816**	**2 553**	**1 040**	**1 090**	**2 066**	**7 549**	**5 109**	**24 223**
Deposits – banks	(146)	(3)	—	(83)	(1)	(1 151)	—	(1 384)
Deposits – non-banks	(5 118)	(718)	(2 840)	(3 609)	(1 075)	(2 014)	(461)	(15 835)
Negotiable paper	(15)	(1)	(26)	(5)	(24)	(825)	(175)	(1 071)
Securitised liabilities	—	—	(3)	(2)	(4)	(29)	(71)	(109)
Investment/trading liabilities	(314)	(148)	(143)	(65)	(75)	(447)	(52)	(1 244)
Subordinated liabilities	—	—	—	—	—	(355)	(435)	(790)
Other liabilities	(71)	(660)	(60)	(70)	(105)	(238)	(225)	(1 429)
Liabilities	**(5 664)**	**(1 530)**	**(3 072)**	**(3 834)**	**(1 284)**	**(5 059)**	**(1 419)**	**(21 862)**
Total equity	—	—	—	—	—	—	(2 361)	(2 361)
Contractual liquidity gap	**(848)**	**1 023**	**(2 032)**	**(2 744)**	**782**	**2 490**	**1 329**	**—**
Cumulative liquidity gap	(848)	175	(1 857)	(4 601)	(3 819)	(1 329)	—	

Behavioural liquidity at 30 September 2020

As discussed on page above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**3 027**	**809**	**(898)**	**(1 791)**	**752**	**(2 751)**	**852**	**—**
Cumulative	3 027	3 836	2 938	1 147	1 899	(852)	—	

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

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

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

Interest rate sensitivity gap at 30 September 2020
The table below show our non-trading interest rate mismatch assuming no management intervention.

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	3 550	—	—	—	—	—	3 550
Investment/trading assets	4 392	181	31	196	9	394	5 203
Securitised assets	107	—	—	—	—	—	107
Advances	7 067	1 869	533	2 408	255	—	12 132
Other assets	—	—	—	—	—	1 617	1 617
Assets	**15 116**	**2 050**	**564**	**2 604**	**264**	**2 011**	**22 609**
Deposits – banks	(1 383)	—	—	—	—	—	(1 383)
Deposits – non-banks	(13 117)	(1 076)	(923)	(704)	(15)	—	(15 835)
Negotiable paper	(1 071)	—	—	—	—	—	(1 071)
Securitised liabilities	(109)	—	—	—	—	—	(109)
Investment/trading liabilities	(121)	—	—	—	—	—	(121)
Subordinated liabilities	(62)	—	—	(728)	—	—	(790)
Other liabilities	—	—	—	—	—	(939)	(939)
Liabilities	**(15 863)**	**(1 076)**	**(923)**	**(1 432)**	**(15)**	**(939)**	**(20 248)**
Total equity	—	—	—	—	—	(2 361)	(2 361)
Balance sheet	**(747)**	**974**	**(359)**	**1 172**	**249**	**(1 289)**	**—**
Off-balance sheet	1 693	(137)	(199)	(1 201)	(156)	—	—
Repricing gap	**946**	**837**	**(558)**	**(29)**	**93**	**(1 289)**	**—**
Cumulative repricing gap	946	1 783	1 225	1 196	1 289	—	

Economic value sensitivity at 30 September 2020
As outlined, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	3.9	12.9	0.8	2.3	(0.7)	1.1	17.0
200bps up	(3.3)	(11.1)	(0.7)	(2.0)	0.6	(1.0)	(14.5)

Regulatory requirements

Liquidity risk

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

Two minimum standards for funding liquidity were introduced:

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

Banks are required to maintain a minimum LCR ratio of 100%. The LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations. As at 30 September 2020 the LCR reported to the PRA was 353% for IBP (solo basis).

In June 2019, the CRR2/CRDV package was published in the EU Official Journal, including finalised rules for the calculation of the NSFR. This will become a binding metric in June 2021, at which point banks will be required to maintain a minimum NSFR of 100%. The internally calculated NSFR for IBP (solo basis) is based upon these rules, but are subject to change in response to any further clarifications or guidelines.The NSFR at 30 September 2020 was 125% for IBP (solo basis).

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

Non-trading interest rate risk

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

Within the UK, BCBS standards are implemented via the EBA and PRA. The regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of their Internal Capital Adequacy Assessment Process (ICAAP). This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards.

Capital structure and capital adequacy

£'million	30 Sept 2020*	31 March 2020
Shareholder's equity	**2 058**	**2 061**
Shareholder's equity excluding non-controlling interests	2 106	2 078
Foreseeable charges and dividends	(12)	—
Deconsolidation of special purpose entities	(36)	(17)
Non-controlling interests	**—**	**—**
Non-controlling interests per balance sheet	5	3
Non-controlling interests excluded for regulatory purposes	(5)	(3)
Regulatory adjustments to the accounting basis	**106**	**91**
Additional value adjustments	(7)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	13	12
Adjustment under IFRS 9 transitional arrangements	100	86
Deductions	**(327)**	**(333)**
Goodwill and intangible assets net of deferred taxation	(311)	(315)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(16)	(18)
Common equity tier 1 capital	**1 837**	**1 819**
Additional Tier 1 capital	**250**	**250**
Additional Tier 1 instruments	250	250
Total tier 1 capital	**2 087**	**2 069**
Tier 2 capital	**503**	**533**
Tier 2 instruments	503	533
Total regulatory capital	**2 590**	**2 602**
Risk-weighted assets**	**15 989**	**15 808**
Capital ratios**		
Common equity tier 1 ratio	11.5%	11.5%
Tier 1 ratio	13.1%	13.1%
Total capital ratio	16.2%	16.5%

* The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable charges and dividends when calculating common equity tier (CET) 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include the deduction for foreseeable charges and dividends when calculating CET 1 capital. Investec Bank plc's CET 1 ratio would be 7bps (31 March 2020: 0bps) higher on this basis.

** CET 1, Tier 1 (T1), total capital adequacy ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements (including the changes introduced in the "quick fix" regulation adopted in June 2020).

Capital requirements and risk-weighted assets

£'million	30 Sept 2020	31 March 2020
Capital requirements	**1 279**	**1 265**
Credit risk	980	972
Equity risk	11	10
Counterparty credit risk	68	74
Credit valuation adjustment risk	4	5
Market risk	70	58
Operational risk	146	146
Risk-weighted assets (banking and trading)	**15 989**	**15 808**
Credit risk	12 249	12 145
Equity risk	129	125
Counterparty credit risk	852	922
Credit valuation adjustment risk	50	59
Market risk	878	726
Operational risk	1 831	1 831

Leverage

£'million	30 Sept 2020	31 March 2020
Total exposure measure	**26 073**	**25 817**
Tier 1 capital (as reported)**	2 087	2 069
Leverage ratio* – current**	**8.0%**	**8.0%**
Leverage ratio* – "fully loaded"^**	**7.7%**	**7.7%**
Leverage ratio*** – current UK leverage ratio framework^^	9.0%	9.1%

A summary of capital adequacy and leverage ratios

	30 Sept 2020*	31 March 2020*
Common equity tier 1 (as reported)**	11.5%	11.5%
Common equity tier 1 ("fully loaded")^	11.0%	11.1%
Tier 1 (as reported)**	13.1%	13.1%
Total capital ratio (as reported)**	16.2%	16.5%
Leverage ratio*** – current	8.0%	8.0%
Leverage ratio*** – "fully loaded"^	7.7%	7.7%
Leverage ratio*** – current UK leverage ratio framework^^	9.0%	9.1%

* The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable charges and dividends when calculating CET 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital disclosures included in the Interim Report, which follows our normal basis of presentation and do not include the deduction of foreseeable charges and dividends when calculating CET 1 capital. Investec Bank plc's CET 1 ratio would be 7bps (31 March 2020: 0bps) higher on this basis.

** The reported CET 1, T1 and total capital adequacy amounts and ratios are calculated applying the IFRS 9 transitional arrangements (including the changes introduced in the "quick fix" regulation adopted in June 2020).

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

^ Based on the group's understanding of current regulations, "fully loaded" is based on CRR requirements as fully phased in by 2022, including full adoption of IFRS 9. As a result of the adoption of IFRS 9, Investec Bank plc 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 30 September 2020 of £6 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.

^^ Investec Bank plc is not subject to the UK leverage ratio framework, however, due to recent changes to the UK leverage ratio framework to exclude from the calculation of the total exposure measure those assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity, this has been included for comparative purposes.

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro forma financial information. The pro forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below

£'000	30 Sept 2020	30 Sept 2019	31 March 2020
Operating profit before acquired intangibles and strategic actions	46 186	113 082	174 468
Add: Loss/(profit) attributable to non-controlling interests	530	79	(864)
Adjusted operating profit	46 716	113 161	173 604

Annuity income	Net interest income (refer to page 9) plus net annuity fees and commissions (refer to page 10)
Core loans	The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans.

£'million	30 Sept 2020	31 March 2020
Loans and advances to customers per the balance sheet	11 957	11 834
ECL held against FVOCI loans reported on the balance sheet within reserves	(4)	(2)
Net core loans	**11 953**	**11 832**
of which amortised cost and FVOCI ('subject to ECL')	11 406	11 179
of which FVPL	547	653
Add: ECL	169	175
Gross core loans	**12 122**	**12 007**
of which amortised cost and FVOCI ('subject to ECL')	11 575	11 354
of which FVPL	547	653

Cost to income ratio	Refer to calculation in the table below

£'000	30 Sept 2020	30 Sept 2019	31 March 2020
Operating costs (A)	346 895	384 334	707 033
Total operating income before expected credit loss impairment charges	432 761	513 441	957 207
Add: Loss/(profit) attributable to non-controlling interests	530	79	(864)
Total (B)	433 291	513 520	956 343
Cost to income ratio (A/B)	80.1%	74.8%	73.9%

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	Annualised ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 9

Cash and near cash
Includes cash, near cash (other "monetisable" assets) and Central Bank cash placements and guaranteed liquidity

ECL
Expected credit loss

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and finance lease receivables. Refer to page 9 for calculation

Interest-bearing liabilities
Deposits by banks, customer accounts (deposits), repurchase agreements and cash collateral on securities lent, debt securities in issue, lease liabilities and subordinated liabilities. Refer to page 9 for calculation

Legacy business in the UK Specialist Bank ("Legacy")
Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Ongoing basis
Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions
Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet. Refer to page 44 for detail

Subject to ECL
Includes financial assets held at amortised cost and FVOCI

Third party funds under management
Consists of third party funds managed by the Wealth & Investment business and by the Property business (which forms part of the Specialist Bank)

Design and production:
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