Investec

ANNUAL REPORT 2019

Investec Bank plc annual financial statements

Cross reference tools

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

PAGE REFERENCES
Refers readers to information elsewhere in this report

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

CORPORATE SUSTAINABILITY
Refers readers to further information in our 2019 corporate sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

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OPERATIONAL AND STRATEGIC OVERVIEW

Operating structure

Investec Bank plc is the main banking subsidiary of Investec plc.

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

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

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

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

Our DLC structure and main operating subsidiaries at 31 March 2019

- **Investec plc** – LSE primary listing, JSE secondary listing
  - **Non-Southern African operations**
    - **Investec Bank plc**
      - Investec Wealth & Investment Limited
      - Investec Bank (Channel Islands) Limited
      - Investec Asset Finance plc
      - Investec Holdings (Australia) Limited
      - Investec Bank (Switzerland) AG
      - Investec Irish branch
    - **Investec Asset Management Limited 80%***
- **Sharing agreement**
- **Investec Limited** – JSE primary listing, NSX secondary listing, BSE secondary listing
  - **Southern African operations**
    - **Investec Bank Limited**
      - Investec Bank (Mauritius) Limited
    - **Investec Asset Management Holdings (Pty) Ltd 80%***
    - **Investec Securities (Pty) Ltd^**
    - **Investec Property Group Holdings (Pty) Ltd**
    - **Investec Employee Benefits Holdings (Pty) Ltd**

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

* *Senior management in the company hold 20% minus one share (31 March 2018: 17%).*

^ *Houses the Wealth & Investment business.*

Salient features of the DLC structure

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

Investec Bank plc operates as a specialist bank and wealth manager

Specialist Banking

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

Each business provides specialised products and services to defined target market clients

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

Natural linkages between the private client and corporate business

Wealth & Investment

Investec Wealth & Investment offers its clients comfort in its scale, international reach and depth of investment processes.

Investec Wealth & Investment is one of the UK's leading private client investment managers.

Providing wealth management and discretionary investment management services to private clients, trusts and charities.

Over 1 400 staff operate across the UK and Europe, with combined funds under management of £39.1 billion.

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

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

Financial planning

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

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

Specialist Banking

Value proposition

- High-quality specialist banking solution to corporate and private clients with leading positions in selected areas
- High-touch personalised service – ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Wealth & Investment

Value proposition

- Built via the acquisition and integration of businesses and organic growth over a long period of time
- Established platforms in the UK, Switzerland, Republic of Ireland* and Guernsey
- Distinct distribution channels: direct, intermediaries, charities, international and digital
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Business leaders:

Wealth & Investment global head*
Steve Elliott

Wealth & Investment UK head
Jonathan Wragg

Specialist Banking UK head^
David van der Walt

Post 31 March 2019 a number of management changes have been announced. These are either effective or will become effective in stages over the coming months, subject to regulatory approval where relevant.

* *Steve Elliott will be retiring; as of 1 October 2019, Henry Blumenthal and Jonathan Wragg will assume the role of joint global heads of Wealth & Investment.*

^ *David van der Walt will replace Ciaran Whelan as Investec group chief risk officer. Ruth Leas will replace David van der Walt as chief executive officer of Investec Bank plc and head of the UK Specialist Bank.*

* *Post year-end we announced the sale of the Irish business. Refer to page 16 for further information.*

Where we operate

USA

Experienced local teams with industry experience

UK and Europe

Brand well established

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Sustainable specialist banking business on the back of client activity

India

Facilitates the link between India, UK and South Africa

Hong Kong

Investment banking and principal investment activities

Australia

Experienced local teams with industry expertise

Focus is on entrenching position as a boutique operation

OPERATING ENVIRONMENT INDICATORS

The table below provides an overview of some key statistics that should be considered when reviewing our operational performance.

	As at 31 March 2019	As at 31 March 2018	% change	Average over the year 1 April 2018 to 31 March 2019
Market indicators				
FTSE All share	3 978	3 894	2.2%	4 003
S&P	2 834	2 641	7.3%	2 740
Nikkei	21 206	21 454	(1.2%)	21 968
Dow Jones	25 929	24 103	7.6%	25 038
Rates				
UK overnight	0.70%	0.44%		0.62%
UK 10 year	0.97%	1.35%		1.37%
UK Clearing Banks Base Rate	0.75%	0.50%		0.67%
LIBOR – three month	0.85%	0.71%		0.80%
US 10 year	2.41%	2.74%		2.89%
Commodities				
Gold	US$1 295/oz	US$1 324/oz	(2.2%)	US$1 263/oz
Brent Crude Oil	US$68/bbl	US$70/bbl	(2.9%)	US$71/bbl
Platinum	US$841/oz	US$936/oz	(10.1%)	US$841/oz
Macro-economic				
UK GDP (% change over the calendar year)	1.4%	1.8%		
UK per capita GDP (calendar year, real value pounds at constant 2016 prices)*	30 594	30 367	0.7%	

Sources: Macrobond.

* *Population used in 2018 per capita GDP reflects estimated population as per Office for National Statistics.*

Growth in key earnings drivers

Adjusted operating profit*⊙ increased 52.2%

£207.5 million

(2018: £136.3 million)

Earnings attributable to shareholders increased 62.8%

£159.3 million

(2018: £97.8 million)

- The group has delivered a sound operational performance supported by a significantly improved performance from the Specialist Banking business and a good performance from the core UK Wealth & Investment business.
- This is against a challenging operating environment with weak economic growth in the UK as well as mixed equity market performance over the year.
- In the Specialist Banking business, a strong increase in net interest income was supported by loan book growth of 8.5% driven by corporate client lending and Private Bank mortgage origination. This was partially offset by a decrease in non-interest revenue with a weaker performance from the investment portfolio and subdued levels of client trading.
- Impairments decreased with no repeat of substantial legacy portfolio losses.
- The Wealth & Investment business generated positive discretionary net inflows. Year-on-year reported earnings were impacted by a £10.0 million non-recurring investment gain realised in the prior year and the current year write-off of capitalised software in the Click & Invest business of circa £6 million following the decision to discontinue the service.
- Operating costs increased due to headcount growth to support business activity, regulatory requirements and IT development. With the investment phase in the Private Bank largely complete, management is committed to an increased focus on cost discipline.
- Overall, Investec Bank plc reported an adjusted operating profit*⊙ of £207.5 million for the year ended 31 March 2019 (2018: £136.3 million).

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

⊙ ***Alternative performance measures***
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. These measures are highlighted with the symbol⊙. The definition of alternative performance measures is provided in the definitions section of this report.

Financial performance

Adjusted operating profit*⦿ increased 52.2%	**2019** **£207.5mn** 2018 £136.3mn
Annuity income⦿ as a % of total operating income	**2019** **65.9%** 2018 63.7%
Cost to income ratio**⦿	**2019** **77.9%** 2018 76.7%
Credit loss ratio⦿	**2019** **0.38%** 2018 1.14%

Trends in the graphs on pages 10 to 12 are impacted by Investec group assets that were sold in the 2015 financial year.

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

** *The Investec group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page.*

⦿ ***Alternative performance measures***
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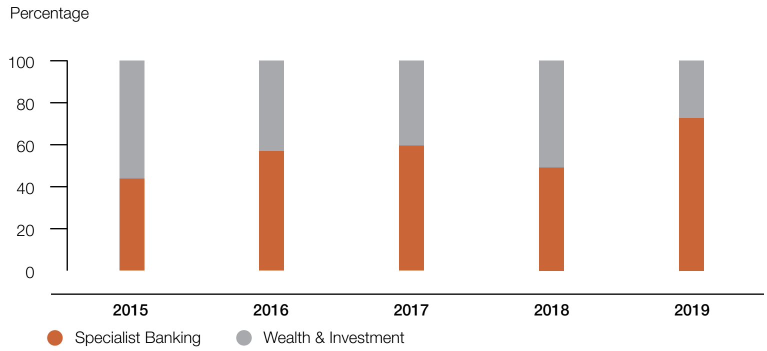
Diversified business model

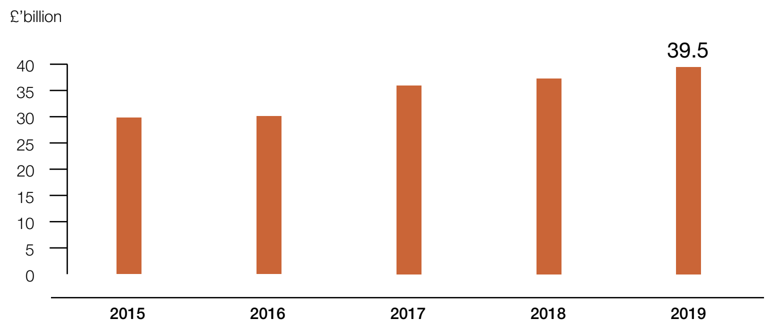
% contribution of adjusted operating profit⦿*



Continued to grow our key earnings drivers

Funds under management up 5.9% to £39.5 billion

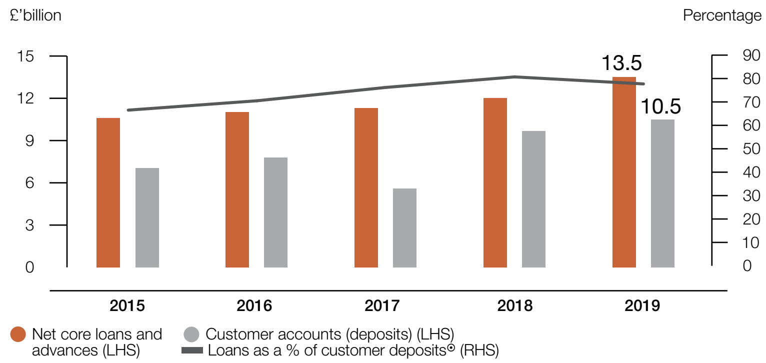
Funds under management



Customer accounts (deposits) increased 12.8% to £13.5 billion

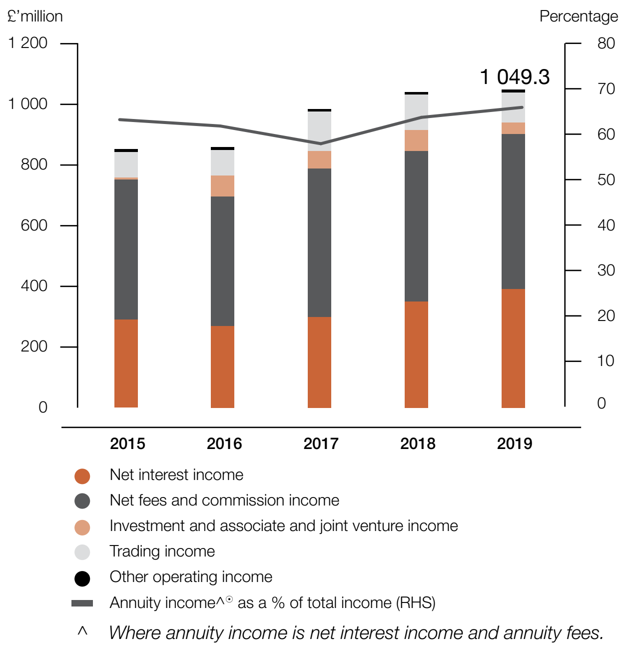
Core loans and advances increased 8.5% to £10.5 billion

Customer accounts (deposits) and loans



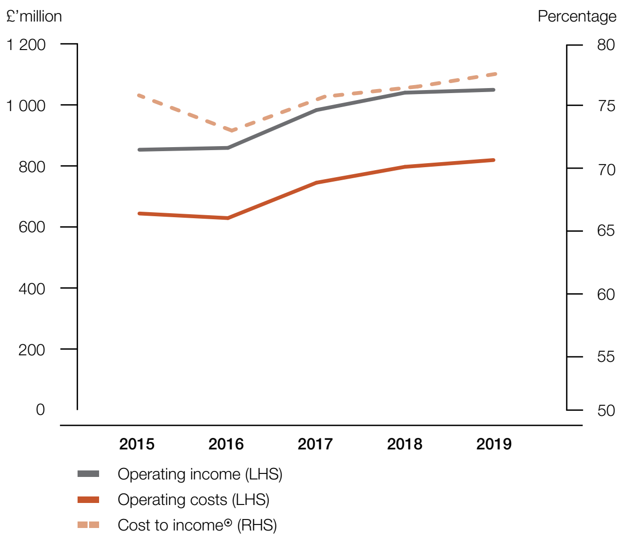
Marginal growth in operating income

Total operating income



Costs increased slightly ahead of revenue

Jaws ratio⊙

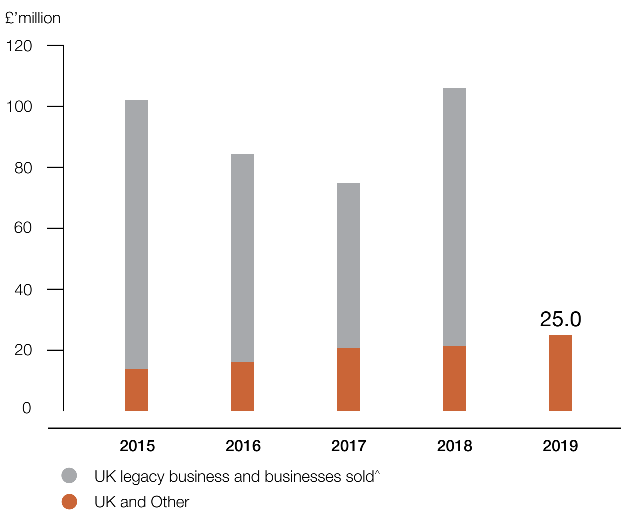


Good growth in net interest income and fees (supported by growth in client franchises) was partially offset by weaker investment income and subdued levels of client flow trading.

With the investment phase in the Private Bank largely complete, management is committed to an increased focus on cost discipline.

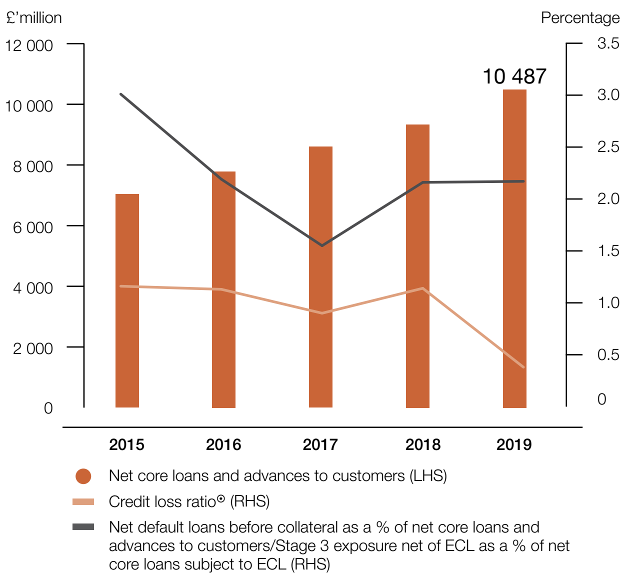
Reduction in expected credit losses/impairments* with no repeat of substantial legacy portfolio losses

Impairments



^ Refers to the remaining UK legacy business as well as group assets that were sold in the 2015 financial year.

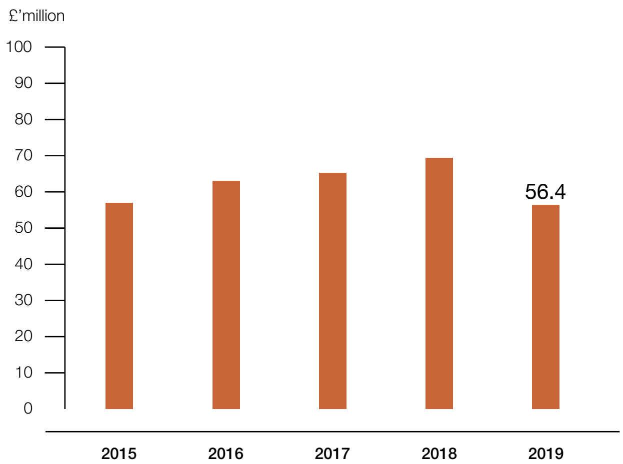
Default and core loans



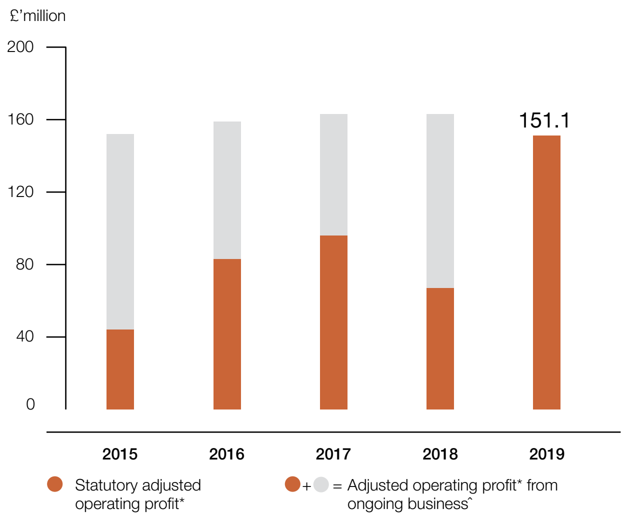
* *On adoption of IFRS 9 there is a move from an incurred loss model to an expected loss methodology. Expected credit loss impairment charges for the year ended 31 March 2019 have been calculated on an IFRS 9 basis, comparative years have been calculated on an IAS 39 basis.*

Adjusted operating profit*⦿ from our businesses

Adjusted operating profit⦿ – Wealth & Investment*



Adjusted operating profit⦿ – Specialist Banking*



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

* *Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests.*

⦿ ***Alternative performance measures***
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Sound capital and liquidity

The intimate involvement of senior management ensures stringent management of risk and liquidity.

A well-established liquidity management philosophy remains in place.

We continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio® of 25.0%, with the year-end ratio at 50.3%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

Liquidity remains strong with cash and near cash balances amounting to £6.8 billion (2018: £5.6 billion). Cash balances increased largely driven by prefunding ahead of the restructure of the Irish branch. As a result of Brexit, deposit raising in our Irish business will no longer be undertaken and existing deposits are being unwound.

The bank's loan to deposit ratio® is: 77.7% (2018: 80.7%).

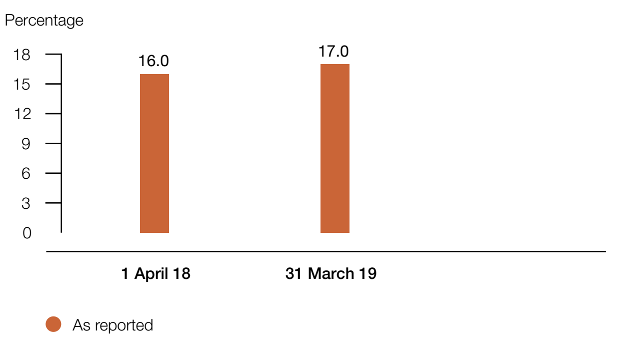
We exceed the minimum regulatory requirements for the liquidity coverage ratio and net stable funding ratio.

Capital remained in excess of current regulatory requirements.

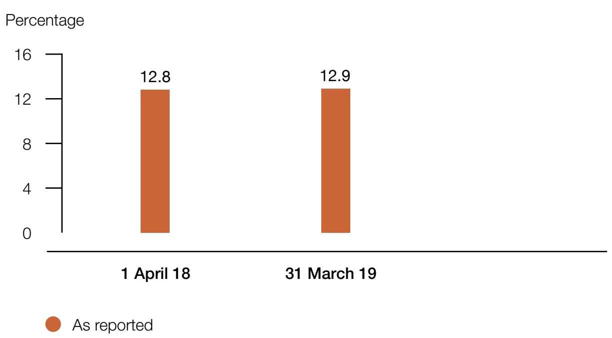
We are comfortable with our common equity tier 1 ratio target at a 10.0% level given our solid capital light revenues, and our current leverage ratio of 7.9%.

Investec group capital targets	Total capital ratio: 14.0% – 17.0%
	Common equity tier 1 ratio: > 10.0%
	Tier 1 ratio: > 11.0%
	Leverage ratio: > 6.0%

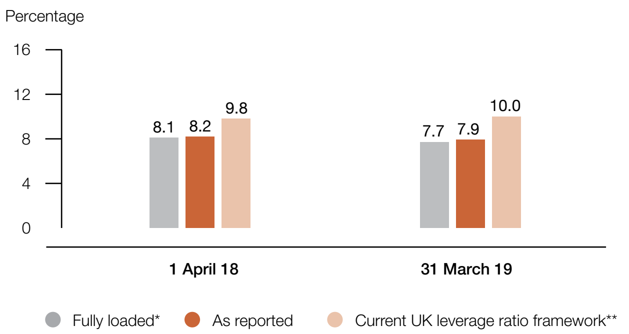
Total capital ratios



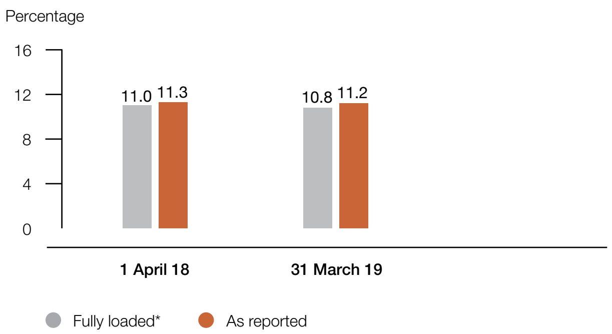
Tier 1 ratios



Leverage ratios



Common equity tier 1 ratios



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

** *Investec Bank plc is not subject to the UK leverage ratio framework, however, due to 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 ratio has been included for comparative purposes.*

Note: Refer to pages 80 and 85 for further details.

David van der Walt

Chief executive officer of Investec Bank plc

How has the operating environment impacted your business over the past financial year?

The Specialist Bank delivered a resilient financial performance, despite the heightened Brexit and political uncertainty and consequential impact on confidence levels. In the second half, we have seen reduced levels of mid-market M&A and equity capital markets activity and a reluctance from clients to commit to longer term decisions. The corporate market experienced increased competition for yield due to low rates and high levels of liquidity, as well as an increase in demand for deposits. The high demand for yield resulted in credit spread pressure and high levels of refinancing.

Notwithstanding these factors, the Specialist Bank focused on preserving its credit spreads whilst maintaining a disciplined approach to deploying capital. In the Private Banking space, we have seen strong levels of lending to our high net worth client base despite a subdued UK housing market. The Corporate and Investment Bank also saw solid activity levels across its core lending franchises. Our credit portfolios have remained robust with limited direct exposure to high street retail or discretionary consumer spending.

Regulation has continued to impact the finance industry and open banking has become an increasing feature of this competitive environment. We continually evolve in response to these developments and have successfully implemented our own offering in the open banking market in order to compete effectively.

We have been a beneficiary of the increase in UK base rates during the year given our prudent levels of cash and near cash balances.

What have been the key developments in your business over the past financial year?

The Corporate and Investment Bank has restructured and simplified its operations to focus on two defined client segments, resulting in two key businesses: Corporate Banking and Investment Banking. The business saw strong activity levels; with diversified loan growth including, in particular, across Fund Finance and Power and Infrastructure Finance, as well as a few notable transactions from our corporate advisory team in the first half of the year.

Within our investment activities, we have shifted our investment risk appetite towards focusing on co-investment alongside clients to fund investment opportunities and will manage our equity investment portfolio accordingly, thereby reducing volatility in our earnings going forward. There has been good performance in the UK investment portfolio, however this has been offset by a weaker performance in the Hong Kong portfolio which we are in the process of exiting.

The Private Bank has completed its formal investment programme with a clear market opportunity set to realise benefits of increased scale. As part of its investment programme, we have successfully implemented an integrated Customer Relationship Management system, which has allowed us to be more effective in our client engagement. In order to support the targeted growth of the Private Bank, we have dedicated significant time to the development of our people and the hiring of the right talent. We have met both our client acquisition and funding targets, which we set at the start of the year.

The recent launch of the Private Capital offering within the Private Bank has proved successful in providing an investment banking service for high net worth clients looking to grow their wealth in commercial business activities. This is a key area of growth that supports our strategic objective to enhance connectivity across the businesses. This offering will allow small- to medium-sized businesses to be cultivated in the Private Bank and then moved successfully into the Corporate and Investment Bank where the relationship can develop further.

We have successfully dealt with the bulk of the remaining legacy portfolio through increased impairments recognised in the prior financial year. We have continued to exit exposures, reducing overall net Legacy exposure to £130.9 million (1.2% of the net core loan book) as at 31 March 2019. We no longer have the substantial Legacy drag on profitability that has held back performance over the last several years.

In July we successfully executed a liability management exercise, repurchasing a portion of our 9.625% subordinated debt (due to mature in 2022) and issuing new subordinated debt at 4.25%.

Brexit related regulations have resulted in the need to restructure the bank's Irish business where we will no longer be able to conduct operations under a branch structure. There were approximately £13 million costs incurred relating to the consequential unwinding of Irish deposits, closing the Prime Brokerage business and redundancies.

What are your strategic objectives in the coming financial year?

The Corporate and Investment Bank will continue to focus on deepening and growing its client franchises and improving our ability to provide a more cohesive client experience. One of our key strategic focus areas is to grow our off balance sheet funds under management which will support our relevance to clients and our growth and help optimise our capital for improved returns and long-term success. Our ambition is to develop a specialist funds platform across our credit asset classes that will complement our existing specialist asset activities.

With the completion of the investment phase in the Private Bank, there will be an increased focus on both retention and acquisition of target market clients and further collaboration and connectivity across the businesses, including with the wealth business in attempting to bring the full suite of our services to our clients. Other key objectives within the Private Bank include using the new mortgage lending platform to drive growth and efficiency and to grow our retail funding franchise by leveraging our digital capabilities.

The UK Specialist Bank is aligned to the group's five key initiatives in order to improve shareholder returns. We will continue to focus on a disciplined approach to capital allocation. We are fully invested, focused on cost control and anticipate an improving cost to income ratio going forward. A key focus is greater collaboration across our businesses and geographies and we will to continue to drive our high-tech, high-touch offering.

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

Within our own operations, the move of our head office in London to new premises gave us the opportunity to incorporate a number of environmental initiatives to manage and reduce our footprint. We also implemented an agile working environment and added various well-being offerings for our staff. We continue to make progress with our diversity and gender targets and post year-end, we were proud to announce the appointment of our first female as CEO of Investec Bank plc and head of the UK Specialist Bank (subject to regulatory approval). From a community perspective, we continued to invest in core projects, supporting an additional 113 Arrival Education learners and advising 119 entrepreneurs through our partnership with Bromley by Bow through their Beyond Business programme.

During the year, we strengthened our climate change statement to support the transition to a low-carbon economy. Furthermore, our businesses are continually looking for innovative opportunities to impact society and the environment. At the beginning of 2019, we co-hosted a seminar with Engenie and Renewable UK to discuss the challenges and opportunities around electric vehicles and the opportunity to reduce air pollution in the city. As part of our commitment, the bank has provided capital investment to Engenie to reach their target of 1 500 rapid chargers across the UK.

Our 2019 corporate sustainability and ESG supplementary report provides further detail on the Sustainable Development Goals and the many initiatives we are supporting or funding.

What is your outlook for the coming financial year?

We expect market volatility to persist and confidence to remain subdued as Brexit uncertainty continues into the coming financial year. We will remain cautious in the current economic environment and disciplined when deploying capital. With legacy losses largely behind us, our focus is on building further scale in our core franchises and growing our recurring income. We are confident that we can deliver solid growth and achieve our financial targets in the short- to medium-term.

Steve Elliott

Global head of Investec Wealth & Investment

How has the operating environment impacted your business over the past financial year?

The year has been characterised by a number of challenges. Internationally, despite strong economic conditions in the US, concerns around tariff negotiations, the rise of populism and political uncertainty, amongst other factors, dampened the outlook for global growth.

In the UK, equity markets had a strong start but fell significantly during the final quarter of 2018, before stabilising as the financial year drew to a close. Brexit was the largest single factor on the minds of UK investors, but global investors were more focused on the risks outlined above.

All of these factors contributed to greater caution, especially amongst direct private clients. Inflows across the industry fell and consistent with our peers, we have experienced lower rates of growth in net new funds than in recent years. In particular, given the uncertain political situation in the last quarter of the financial year in the UK, this continued to have a dampening effect on net flows. Our business has nevertheless achieved positive net organic growth in funds under management in the UK for the year.

The impact of additional regulation remains prevalent. Over the year we have been focused on implementing and bedding down the substantial regulatory changes whilst preparing for future regulatory developments, including the Senior Managers and Certification Regime (SM&CR), which will be implemented in December 2019 for firms in our sector.

What have been the key developments in your business over the past financial year?

In the UK we are accelerating the reshaping of the strategic positioning of the business. Core discretionary managed services now account for over 80% of funds under management and we have been attracting high calibre investment managers from other firms to join us.

We have given particular focus to the further development of our technology platforms and the integration of our digital capabilities into the core business. Enhanced client communications and new look valuations have been launched and we continue to address the need to reduce paper and digitise wherever possible.

We have reviewed the Click & Invest online investment platform and decided to discontinue the service in line with the group's commitment to manage costs and allocate capital effectively. The underlying operating loss of Click & Invest was circa £12.8 million (2018: £13.5 million). In addition a circa £6 million write-off of capitalised software was taken in the current year. The group remains committed to developing its digital initiatives and will look to incorporate the technology into its offering.

In light of changes in the group's Irish business model brought about by Brexit planning and as part of consolidation taking place in wealth management in Ireland, we have sold our Republic of Ireland Wealth Management business to Brewin Dolphin, subject to regulatory approval. The wealth management business was acquired by the group as part of its acquisition of NCB in 2012 and has grown significantly since then. The business in the Republic of Ireland is independent of other wealth management businesses in the Investec group and hence its sale will not impact the wealth management offering in other jurisdictions.

We continue to explore the inclusion of alternative assets in our clients' portfolios which have provided enhanced returns during challenging economic conditions. We believe in delivering a holistic service to our clients which goes beyond traditional investments and is inclusive of inter-generational wealth planning, tax structuring and assisting our clients to navigate the increasingly complex local and global regulatory and tax environments.

What are your strategic objectives in the coming financial year?

In the UK our strategic focus is to maintain our emphasis on delivering organic growth through expanding the discretionary managed business. This will be further supported by the recruitment of high quality investment managers.

As we expect the demand for wider financial advice to continue to grow and become a more general need across our client base, we will further expand our financial planning capability and develop ways to deliver this advice as a central component of our core offering.

Deepening our client relationships through high-touch engagements while achieving efficiencies and bolstering investment opportunities through our digital platform remains a priority. We recognise the diversity of our clients' needs and adapting our value proposition to include focusing on intergenerational wealth planning supported by enhanced tax and fiduciary services.

Collaboration across the Wealth & Investment business, as well as with the broader group, remains a strategic focus in order to provide a holistic Investec offering.

To ensure the sustainability of our business, we continue to focus on culture development and investing in our people and leadership of the business.

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

As part of our commitment to responsible investment, we incorporate a variety of ESG factors along with other material investment factors and ethical guidelines into our wealth management and investment decision making process. More importantly, we believe that the greatest social impact we can have as a manager of wealth is to support our clients in attaining their socio-economic and environmental aspirations.

In the UK, we manage more than £3.3 billion of assets for nearly 1 200 charities. We work closely with each charity client to create an investment portfolio that is tailored to their own needs, aims and ethical consideration. During the year, our specialist Charities team were recognised as the winners of the 'Charity Investment Team of the Year' by the city of London Wealth Management Awards 2019.

Our 2019 corporate sustainability and ESG supplementary report provides further detail on the Sustainable Development Goals and the many initiatives we are supporting or funding.

What is your outlook for the coming financial year?

We maintain a positive view on the outlook for growth in the global economy but are also cognisant of potential geo-political risks. These factors, which have unsettled investors over the past financial year, are likely to play out during the next 12 months and in light of this, we are expecting continued uncertainty in the near term. Equally, this provides a real opportunity for us to demonstrate that we are well prepared to navigate through these various challenges, using our research and investment expertise, on behalf of our clients.

Principal risks relating to our operations

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

These risks are summarised briefly in the table below. For additional information pertaining to these risks as well as information on the management and monitoring of these risks, see the page references provided.

8, 14 – 17

The **financial services industry** in which we operate is intensely competitive.

8, 14 – 17, 36 – 37

Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways.

34

We may be exposed to **country risk,** i.e. the risk inherent in sovereign exposure and events in other countries.

38 – 57

Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.

34, 77

Unintended **environmental (including climate risk), social and economic risks** could arise in our lending and investment activities.

58 – 59

We may be exposed to **investment risk** in our unlisted and listed investment portfolios.

61 – 64

Market risk arising in our trading book could affect our operational performance.

65 – 70

Liquidity risk may impair our ability meet our payment obligations as they fall due.

70 – 72

Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**

73 – 75

Operational risk (including financial crime, cybercrime and process failure) may disrupt our business or result in regulatory action.

73 – 75

We may be **vulnerable to the failure of our systems** and breaches of our security systems (including cyber and information security).

73 – 75

Employee misconduct could cause harm that is difficult to detect.

76

Reputational, strategic and business risk could impact our operational performance.

77

Compliance, legal and regulatory risks may have an impact on our business.

77

Retail conduct risk is the risk that we treat our customers unfairly and deliver inappropriate outcomes. **Wholesale conduct risk** is the risk of conducting ourselves inappropriately in the market.

79 – 85

We may have insufficient capital in the future and may be unable to secure additional financing when it is required.

76

We may be exposed to **pension risk** in our UK operations.

We may be unable to **recruit, retain and motivate key personnel**.

www ***See Investec group's 2019 corporate sustainability and ESG supplementary report on our website for further information.***

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

2

FINANCIAL REVIEW

Key income drivers

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

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

We have a number of other distribution and origination channels which support our underlying core businesses, for example, in Australia, Channel Islands, Hong Kong, India, Republic of Ireland, Switzerland and the USA. Investec Bank plc's structure comprises two principal business divisions: Wealth & Investment and Specialist Banking.

Wealth & Investment

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

Specialist Banking

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

Overview

Investec Bank plc reported an adjusted operating profit[^] before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests of £207.5 million for the year ended 31 March 2019 (2018: £136.3 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

Unless the context indicates otherwise, all income statement comparatives in the review below relate to the statutory results for the year ended 31 March 2018.

Income statement analysis

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

Total operating income

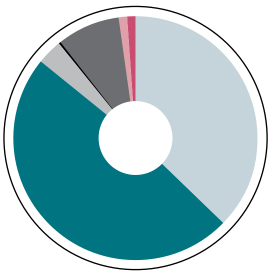
Total operating income before expected credit losses/impairment losses on loans and advances of £1 049.3 million was 0.9% higher than the prior year. The various components of total operating income are analysed below.

£'000	**31 March 2019**	**% of total income**	31 March 2018	% of total income	% change
Net interest income	391 379	37.3%	349 618	33.6%	11.9%
Net fee and commission income	510 881	48.7%	494 512	47.6%	3.3%
Investment income	34 236	3.2%	68 943	6.6%	(50.3%)
Share of post taxation profit of associates and joint venture holdings	2 830	0.3%	1 444	0.1%	96.0%
Trading income/(loss) arising from					
– customer flow	86 766	8.3%	114 502	11.0%	(24.2%)
– balance sheet management and other trading activities	12 732	1.2%	2 838	0.3%	348.6%
Other operating income	10 476	1.0%	8 290	0.8%	26.4%
Total operating income before expected credit losses/ impairment losses	**1 049 300**	**100.0%**	**1 040 147**	**100.0%**	**0.9%**

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

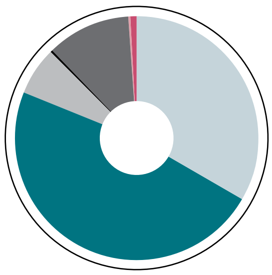
£'000	**31 March 2019**	**% of total income**	31 March 2018	% of total income	% change
Wealth & Investment	316 949	30.2%	314 210	30.2%	0.9%
Specialist Banking	732 351	69.8%	725 937	69.8%	0.9%
Total operating income before expected credit losses/ impairment losses	**1 049 300**	**100.0%**	**1 040 147**	**100.0%**	**0.9%**

% of total operating income before expected credit losses/impairment losses



31 MARCH 2019
£1 049.3 million total operating income before expected credit loss impairment charges

37.3%	Net interest income
48.7%	Net fee and commission income
3.2%	Investment income
0.3%	Share of post taxation profit of associates and joint venture holdings
8.3%	Trading income arising from customer flow
1.2%	Trading income arising from balance sheet management and other trading activities
1.0%	Other operating income



31 MARCH 2018
£1 040.1 million total operating income before impairment losses

33.6%	Net interest income
47.6%	Net fee and commission income
6.6%	Investment income
0.1%	Share of post taxation profit of associates and joint venture holdings
11.0%	Trading income arising from customer flow
0.3%	Trading income arising from balance sheet management and other trading activities
0.8%	Other operating income

Net interest income

Net interest income increased by 11.9% to £391.4 million (2018: £349.6 million) driven by strong loan book growth and an increase in base rates.

For a further analysis of interest received and interest paid refer to pages 171.

Net fee and commission income

Net fee and commission income increased by 3.3% to £510.9 million (2018: £494.5 million) supported by a strong performance from the investment banking and specialist lending businesses as well as higher average funds under management and positive net inflows in the Wealth Management business.

For a further analysis of net fee and commission income refer to page 172.

Investment income

Investment income decreased by 50.3% to £34.2 million (2018: £68.9 million). A strong performance from the UK investment portfolio was offset by a weak performance from the Hong Kong portfolio. In addition there was a non-recurring investment gain realised in the wealth management business in the prior year.

For a further analysis of investment income refer to page 173.

Trading income

Total trading income decreased to £99.5 million (2018: £117.3 million) as a consequence of subdued client flow trading levels offset by an increase from the unwind of the UK subordinated debt fair value adjustment (recognised on the adoption of IFRS 9) as the investment pulls to par over its remaining term.

Other operating income

Other operating income includes income earned on operating lease rentals.

Expected credit losses (ECL)/impairment losses on loans and advances

ECL/impairment losses on loans and advances decreased from £106.1 million to £25.0 million, with no repeat of substantial legacy portfolio losses. Stage 3 gross core loans and advances subject to ECL reduced to £319 million (3.2% of gross core loans subject to ECL) at 31 March 2019 (1 April 2018: £564 million equating to 6.3% of gross core loans subject to ECL), largely driven by a reduction in the legacy portfolio. The credit loss ratio amounted to 0.38% at 31 March 2019 (2018: 1.14% under the IAS 39 incurred impairment loss model).

Refer to pages 49 to 57 for further information on asset quality and page 173 for a breakdown of the expected credit loss impairment charges.

⊙ ***Alternative performance measures***
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. These measures are highlighted below with the symbol⊙. The definition of alternative performance measures is provided in the definitions section of this report.

Operating costs

The cost to income ratio^⊙ amounted to 77.9% (2018: 76.7%). Costs increased 2.7%, with the Specialist Bank up 1.1% and Wealth & Investment up 6.4%. With the investment phase in the Private Bank largely complete, management is committed to an increased focus on cost discipline. Included in these operating costs was the £6 million write-off relating to the capitalised software in the Click & Invest business (within Wealth & Investment) following the decision to discontinue the service.

The various components of total operating costs are analysed below:

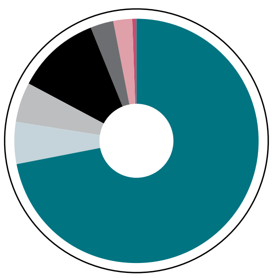
£'000	**31 March 2019**	**% of total operating costs**	31 March 2018	% of total operating costs	% change
Staff costs (including directors' remuneration)	593 343	72.2%	579 174	72.4%	2.4%
Premises expenses (excluding depreciation)	43 987	5.4%	43 866	5.5%	0.3%
Equipment expenses (excluding depreciation)	42 939	5.2%	45 147	5.7%	(4.9%)
Business expenses	91 839	11.2%	80 766	10.1%	13.7%
Marketing expenses	25 666	3.1%	35 427	4.4%	(27.6%)
Depreciation and impairment of property, plant, equipment and software	21 395	2.6%	12 669	1.6%	68.9%
Depreciation on operating leased assets	2 137	0.3%	2 350	0.3%	(9.1%)
Total operating costs	**821 306**	**100.0%**	**799 399**	**100.0%**	**2.7%**

^ *The Investec group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page.*

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

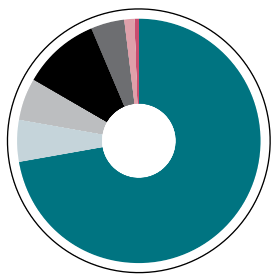
£'000	**31 March 2019**	**% of total operating costs**	31 March 2018	% of total operating costs	% change
Wealth & Investment	260 561	31.7%	244 940	30.6%	6.4%
Specialist Banking	560 745	68.3%	554 459	69.4%	1.1%
Total operating costs	**821 306**	**100.0%**	**799 399**	**100.0%**	**2.7%**

% of total operating costs



31 MARCH 2019
£821.3 million total operating costs

72.2%	Staff compensation costs
5.4%	Premises expenses (excluding depreciation)
5.2%	Equipment expenses (excluding depreciation)
11.2%	Business expenses
3.1%	Marketing expenses
2.6%	Depreciation and impairment of property, plant, equipment and software
0.3%	Depreciation on operating leased assets



31 MARCH 2018
£799.4 million total operating costs

72.4%	Staff compensation costs
5.5%	Premises expenses (excluding depreciation)
5.7%	Equipment expenses (excluding depreciation)
10.1%	Business expenses
4.4%	Marketing expenses
1.6%	Depreciation and impairment of property, plant, equipment and software
0.3%	Depreciation on operating leased assets

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £13.0 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Financial impact of group restructures and acquisitions of subsidiaries

Non-operational costs amounted to £12.9 million and relate primarily to the restructure of the Irish branch as a consequence of Brexit.

£'000	**31 March 2019**	31 March 2018
Financial impact of group restructures	12 853	–

Taxation on operating profit before goodwill and acquired intangibles

The effective operational tax rate amounted to 13.6% (2018: 20.8%), below the prior year largely due to the utilisation of tax losses.

	Effective operational tax rates				
£'000	**2019**	**2018**	**31 March 2019 £'000**	31 March 2018 £'000	% change
Taxation on operating profit before goodwill and acquired intangibles	13.6%	20.8%	27 216	27 651	(1.6%)

Balance sheet analysis

Since 31 March 2018:

- Total equity decreased by 2.1% to £2.2 billion primarily as a result of the adoption of IFRS 9 on 1 April 2018.
- Total assets increased by 10.1% to £22.1 billion (2018: £20.1 billion), largely as a result of loan book growth and an increase in cash and near cash balances.

⊙ ***Alternative performance measures***
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. These measures are highlighted below with the symbol ⊙. The definition of alternative performance measures is provided in the definitions section of this report.

3

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Risk management objectives are to:

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

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 30 to 85 with further disclosures provided in the annual financial statements section on pages 138 to 281. Where applicable throughout the risk disclosures, comparative information is reported under IFRS 9 at 1 April 2018. 31 March 2018 information can be found on pages 56 and 57, this has been presented on an IAS 39 basis and not restated as permitted under IFRS 9.

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

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

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

www

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

Philosophy and approach to risk management

The IBP Board Risk and Capital Committee (IBP BRCC) and board approves the overall risk appetite for the bank. The risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. Fundamental to our values, we have a strong and embedded risk and capital management culture.

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

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

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

We believe that the risk management systems and processes we have in place are adequate to support the bank's strategy and allow the bank to operate within its risk appetite tolerance as set out on page 31.

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

A summary of the year in review from a risk perspective

The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework which continues to be assessed in light of prevailing market conditions and overall Investec group strategy. The primary aim is to achieve a suitable balance between risk and reward in our business. Although the macro-environment continues to present challenges, the bank was able to maintain sound asset performance and risk metrics throughout the year in review. Our risk appetite framework is set out on page 31.

IFRS 9 became effective from 1 April 2018. IFRS 9 replaced IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. Investec plc confirmed to the PRA that the transitional arrangements will be used to absorb the full impact permissible of IFRS 9 in regulatory capital calculations for both Investec plc and Investec Bank plc.

In the year under review, the UK continued to negotiate the terms under which it would leave the European Union. Certain areas of the UK economy are signalling signs of pressure, particularly in sectors reliant on discretionary spend. We are able to adjust our risk appetite and closely monitor any new lending in areas that may come under pressure in the medium-term. In the second half, Brexit uncertainty has dominated and we have seen reduced levels of mid-market M&A and equity capital markets activity and a reluctance from clients to commit to longer term decisions. We are closely monitoring political developments with respect to Brexit and have continued to evaluate any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

In February 2019, Investec Bank plc long-term deposit rating was upgraded by Moody's to A1 (stable outlook) and Investec plc's ratings were affirmed at Baa1 (stable outlook) while taking into account the proposed Investec Asset Management demerger. In August 2018, Investec Bank plc's long-term deposit rating was affirmed by Fitch at BBB+, however in March 2019 Fitch placed Investec Bank plc along with nineteen other UK banks Rating outlooks on Rating Watch Negative following Fitch's decision to place the UK sovereign (AA) on Rating Watch Negative, as a result of heightened uncertainty over the outcome of the Brexit process, and an increased risk of a disruptive 'no-deal' Brexit.

The bank's net core loan book growth since 1 April 2018 was 9.9%. Growth in net core loans has been well diversified across the residential owner-occupied mortgage portfolio, private client and corporate client lending portfolios as well as selective lending collateralised by property, with loan to values at conservative levels.

Credit exposures are to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised with credit risk taken over a short to medium term.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and a reduction in lending collateralised by property as a proportion of net core loans. The bank's net core loan exposures remains well diversified with commercial rent producing property loans comprising approximately 9.7% of net core loans, other lending collateralised by property 8.1%, high net worth and private client lending 22.2% and corporate lending 60.0% (with most industry concentrations well below 5%).

Asset quality continues to reflect the solid performance of core loans. The credit loss ratio reduced to a normalised level at 0.38% (31 March 2018: 1.14%) following the removal of the legacy drag. Stage 3 in the Ongoing book (excluding Legacy) totalled £149 million or 1.5% of gross core loans subject to ECL at 31 March 2019 reduced from 2.6% at 1 April 2018. Stage 3 (including Legacy and Ongoing) totalled £319 million at 31 March 2019 (3.2% of gross core loans subject to ECL) significantly reduced from £564 million (6.3% of gross core loans subject to ECL) at 1 April 2018 largely due to a number of exits in the legacy portfolio. Stage 3 exposures are well covered by ECLs.

The percentage of total Ongoing and Legacy Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 2.2% which decreased from 4.3% at 1 April 2018. The ratio of collateral to Stage 3 exposures (net of ECL) remains satisfactory at 1.1 times (1 April 2018: 1.1 times).

Legacy exposures have reduced by 49% since 1 April 2018 to £131 million (net of ECL) at 31 March 2019. These assets are substantially impaired and are largely reported under Stage 3.

There has been good performance in the UK investment portfolio, however this has been offset by a weaker performance in the Hong Kong portfolio which we are in the process of exiting. Overall, we remain comfortable with the performance of our investment and equity risk exposures which comprise 2.6% of total assets.

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Proprietary risk is limited. During the year in review, customer-flow sales and trading revenues were impacted by lower client activity due to uncertainty around Brexit and range-bound foreign exchange markets.

We remain highly focused on conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime are high priorities, and the bank continually aims to strengthen systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption.

The bank has continued to maintain a sound balance sheet with a low gearing ratio of 10.2 times and a core loans to equity ratio of 4.8 times. The bank's current leverage ratio is 7.9% ahead of the minimum 6% target level.

The bank has always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. There was positive capital generation and risk-weighted assets (RWA) growth remained measured.

We maintain an Investec group target common equity tier 1 ratio in excess of 10% which is currently considered appropriate for our businesses and given our sound leverage ratios and significant capital light revenues. The bank is on the standardised approach for capital. The common equity tier 1 ratio is at 11.2% at 31 March 2019 in excess of regulatory minimums and ahead of our Investec group target.

In January 2019, the Bank of England (BoE) re-confirmed the preferred resolution strategy for the bank as the bank insolvency (special administration) procedure under the Investment Bank Special Administration Regulations 2011 – otherwise known as 'modified insolvency'. As the resolution strategy is 'modified insolvency', the BoE has therefore set Investec Bank plc's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its regulatory capital requirements.

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

A strong liquidity position has continued to be maintained throughout the year primarily supported by growth in fixed term and notice retail customer deposits. Cash and near cash balances amounted to £6.8 billion at 31 March 2019 up from £5.6 billion at 31 March 2018. Following the UK's decision to leave the European Union, the bank will no longer be able to access deposits from European clients sourced through the bank's Irish branch. The strong liquidity position supports asset growth as well as facilitating the repayment of the Irish deposits ahead of the UK's expected departure. Overall funding costs have continued to decline. For Investec Bank plc (solo basis) the LCR is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the PRA at 31 March 2019 was 291%. Ahead of the implementation of the final NSFR rules, the bank has applied its own interpretations of regulatory guidance and definitions from the BCBS final guidelines to calculate the NSFR which was 126% for IBP (solo basis). The reported NSFR and LCR may change over time with regulatory developments and guidance.

The bank's stress testing framework is well embedded in its operations and is designed to identify and regularly test the bank's key 'vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the IBP specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These IBP specific stress scenarios form an integral part of our capital planning process and IFRS 9 macro-economic scenarios. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to proactively identify underlying risks and manage them accordingly.

During the year, a number of stress scenarios were considered and incorporated into our processes. These included, for example, the impact of a global shock resulting in an asset price correction and corporate stress; and a potential UK domestic shock with a prolonged period of weak investment and growth.

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

The bank has achieved a good operating performance, supported by low levels of impairments, sound levels of client activity and a solid recurring income base. We are comfortable that we have well established risk management processes and systems in place. Whilst Brexit and political uncertainty remains, the underlying book continues to perform well and in line with our risk appetite tolerance.

Salient features

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

	31 March 2019	31 March 2018
Net core loans and advances (£'million)	10 487	9 663
Total assets (£'million)	22 121	20 097
Total risk-weighted assets (£'million)	14 631	13 744
Total equity (£'million)	2 163	2 209
Cash and near cash (£'million)	6 792	5 598
Customer accounts (deposits) (£'million)	13 499	11 970
Loans and advances to customers to customer deposits	77.7%	80.7%
Structured credit as a % of total assets	2.12%	1.37%
Banking book investment and equity risk exposures as a % of total assets	2.60%	3.02%
Traded market risk: one-day value at risk (£'million)	0.4	0.5
Core loans to equity ratio	4.8x	4.4x
Total gearing ratio**	10.2x	9.1x
Return on average assets#	0.87%	0.56%
Return on average risk-weighted assets#	1.29%	0.82%
Leverage ratio°° – current UK leverage ratio framework°°	10.0%	10.2%

	31 March 2019	1 April 2018
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.2%	6.3%
of which Ongoing (excluding Legacy) Stage 3##	*1.5%*	*2.6%*
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.2%	4.3%
Credit loss ratio*	0.38%	1.14%
Level 3 (fair value assets) as a % of total assets	8.52%	9.96%
Total capital ratio°	17.0%	16.0%
Tier 1 ratio°	12.9%	12.8%
Common equity tier 1 ratio°	11.2%	11.3%
Leverage ratio – current°	7.9%	8.2%

* *ECL impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL. The credit loss ratio comparative is as at 31 March 2018 (under IAS 39).*

** *Total assets to total equity.*

° *Takes into account the deduction of foreseeable dividends as discussed on page 83.*

\# *Where return represents adjusted earnings as defined on page 283. Average balances are calculated on a straight-line average.*

\## *Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.*

°° *Investec Bank plc is not subject to the UK leverage ratio framework, however, due to 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 ratio has been included for comparative purposes.*

Risk appetite

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

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

Risk appetite and tolerance metrics	*Positioning at 31 March 2019*
We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	Capital light activities contributed 49% to total operating income and capital intensive activities contributed 51%
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 65.9% of total operating income
We seek to maintain strict control over fixed costs and target a cost to income ratio of below 70%	The cost to income ratio amounted to 77.9%. Refer to page 24 for further information
We are a lowly leveraged firm and target a leverage ratio in excess of 6%	The current leverage ratio amounted to 7.9%; refer to page 84 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital ratio range of between 14% and 17% on a consolidated basis for the bank and we target a minimum tier 1 ratio of 11% and a common equity tier 1 ratio above 10%	We met these targets; our total capital ratio amounted to 17.0% and our common equity tier 1 ratio amounted to 11.2%. Refer to pages 80 to 84 for further information
We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to £120 million or 7.3% of CET 1 (unless specifically approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
There is a preference for primary exposure in the bank's main operating geography (i.e. the UK). The bank will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client	Refer to page 34 for further information
We target a credit loss ratio of less than 0.5% and Stage 3 net of ECL as a % of net core loans and advances subject to ECL to be less than 2% (excluding the legacy portfolio). We target Stage 3 net of ECL as a % of CET 1 less than 25%	We currently remain within all tolerance levels. The credit loss ratio amounted to 0.38%. Stage 3 net of ECL as a % of net core loans and advances subject to ECL was 1.19% (excluding the legacy portfolio). Stage 3 net of ECL as a % of CET 1 is 12.8%. Refer to page 49 for further information
We carry a high level of liquidity in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £6.8 billion at year-end representing 50.3% of customer deposits. Refer to page 67 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £5 million	We met these internal limits; one-day 95% VaR was £0.4 million at 31 March 2019; refer to page 62 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of common equity tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio amounted to £465 million representing 28.3% of common equity tier 1. Refer to page 59 for further information
Our operational risk management team focuses on appropriately identifying and managing operational risk within acceptable levels by adopting sound operational risk practises that are fit for purpose. We have heightened focus on financial and cyber crime	Refer to pages 73 to 76 for further information
We have a number of policies and practices in place to mitigate reputational, legal and conduct risks	Refer to pages 76 and 77 for further information

An overview of our principal risks

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

These principal risks have been highlighted on page 18.

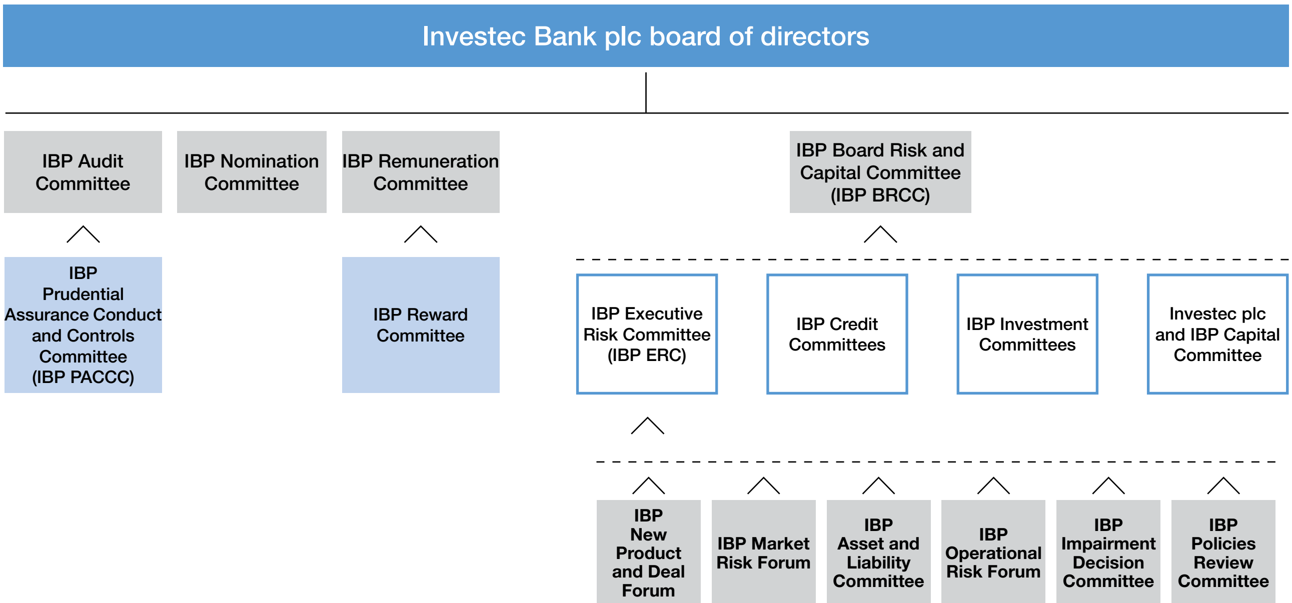
The sections that follow provide information on a number of these risk areas and how the bank manages these risks.

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

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at bank level, as shown in the diagram below. These committees and forums operate together with risk management and are mandated by the board. Investec Wealth & Investment Limited, an FCA regulated subsidiary of the bank, maintains an independent governance structure, comprising an independent board, audit committee, nomination committee, remuneration committee and risk committee. The membership of the Investec Wealth & Investment board includes both executive and non-executive directors. The Investec Wealth & Investment board and the Investec Wealth & Investment board committees report to the DLC board and the DLC board committees.

The Investec plc and IBP Capital Committee, acts as the capital committee for both Investec plc and the bank, reporting matters specifically related to Investec plc to the DLC BRCC and the DLC Capital Committee, and matters specific to the bank to the IBP BRCC.



Credit and counterparty risk management

Credit and counterparty risk description

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

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

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

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

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

Credit and counterparty risk governance structure

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

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk. The scope of these forums and committees have been adjusted where necessary to reflect changes to governance processes arising from IFRS 9 implementation:

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

Credit and counterparty risk appetite

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

There is a preference for primary exposure in the bank's main operating geography (i.e. the UK). The bank will accept exposures where we have a branch or local banking subsidiary (as explained on the following page) and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography.

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

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

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

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

Concentration risk

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

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

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

Country risk

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

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

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

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

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and Policy ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions.

Sustainability considerations

The bank has a holistic approach to corporate sustainability, which runs beyond recognising our own footprint on the environment and includes our many corporate social investment activities and our lending and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, corporate sustainability risk considerations are considered by the credit committee or investment committee when making lending or investment decisions. There is also oversight by the SEC on social and environmental issues including climate related impact considerations. In particular the following factors are taken into account when assessing a transaction based on the outcome of the corporate sustainability considerations:

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

www ***Refer to our 2019 corporate sustainability and ESG supplementary information on our website.***

Stress testing and portfolio management

The bank has embedded its stress testing framework which is a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress'.

A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from risk, the business and the executive – a process called the 'bottom-up' analysis. Out of the 'bottom-up' analysis the IBP specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio.

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

The bank also performs ad hoc stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

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

Credit risk classification and provisioning policy

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

Definition of default

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

Stage 1

All assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL.

Stage 2

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

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

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty amongst other indicators of financial stress. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. The total amount of exposure forborne within Stage 2 and Stage 3 represents 1.2% of the total gross credit and counterparty exposures (31 March 2018: 1.8%)

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

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

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

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. As required under IFRS 9, the bank assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or the client is in receivership. Forborne loans that are considered non-performing, for example if a loan is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3.

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

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

A management overlay of £8 million (£25 million at 1 April 2018) has been considered appropriate in addition to the bank's calculated model-driven ECL. This was due to the UK bank's limited experience of utilising model output for reporting purposes and uncertainty over the models' predictive capability. The overlays have been designed to capture specific areas of model uncertainty during the initial adoption of IFRS 9. The model methodologies have been enhanced during the period and therefore the management overlay has been commensurately reduced at 31 March 2019 to reflect the lower level of model uncertainty. The bank will continue to assess the appropriateness of this management overlay and expect that it will continue to be unwound as the uncertainty of the models predictive capability reduces.

Write-offs

The bank's policy on the timing of write-off of financial assets has not significantly changed on the adoption of IFRS 9. A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case-by-case basis. Similarly the treatment and recognition of recoveries is unaffected by the implementation of IFRS 9. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Internal credit rating models and ECL methodology

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

Further information on internal credit ratings is provided on page 51.

Key drivers of measurement uncertainty – subjective elements and inputs

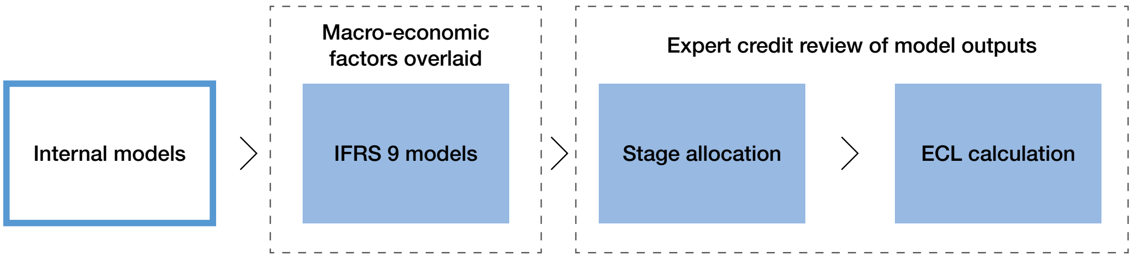
The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes.

Key drivers of measurement uncertainty include:

- the assessment of a significant increase in credit risk;
- the introduction of 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) that are calculated under IAS 39 and used as the discount factor in the IFRS 9 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).

Under IFRS 9, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

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

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

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

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

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

Forward-looking macro-economic scenarios

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

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

Four macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, an upside case and two down cases.

The base case scenario envisages a modest pace of UK economic growth over the forecast horizon. This is supported by some recovery in business investment and consumer spending as Brexit related uncertainties clear. The labour market is expected to witness continued tightness with unemployment holding near historic lows and wage growth firming. Meanwhile the housing market is expected to see moderate house price growth. Amidst this environment the Bank of England is expected to undertake a gradual path of interest rate increases. More widely a modest pace of global growth is forecast over the projection horizon. Key points include a moderation of US economic activity, some stabilisation in the Chinese economy and a recovery in the Euro area following its recent weakness.

The down case scenarios are severe but plausible scenarios created based on IBP specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. The focus of each downside case is either a global shock resulting in an asset price correction and corporate stress or UK domestic-specific stress with a prolonged period of weak investment and growth.

The upside case encompasses a scenario where UK productivity growth recovers following the post crisis period of sustained productivity weakness. The scenarios are forecasted over five years. Beyond the forecast period, default rates are assumed to revert over time to an observed long run average.

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

The table below shows the key factors that form part of the macro-economic scenarios and the relative weightings of these scenarios applied as at 31 March 2019:

Macro-economic scenarios

(average 2019 – 2023)	Upside %	Base case %	Downside 1 Global %	Downside 2 Domestic %
UK				
GDP growth	2.5	1.5	0.2	0.1
Unemployment rate	3.6	3.8	6.7	4.7
House price growth	3.4	3.3	(1.9)	(1.3)
Bank of England – Bank rate	2.7	1.9	0.1	0.2
Euro area				
GDP growth	2.1	1.6	0.2	1.4
US				
GDP growth	2.0	1.9	0.7	1.9
Scenario weightings	**13**	**60**	**14**	**13**

Macro-economic sensitivities (unaudited)

IFRS 9 may result in an increase in the volatility of provisions going forward, particularly for Stage 1 and Stage 2 assets as a result of macro-economic scenario changes. Sensitivities to macro-economic scenarios and factors form part of our overall risk monitoring, in particular the bank's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged. The bank's most severe 100% scenario sensitivity is to the downside 1 global scenario, which results in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately 16%.

Management and measurement of credit and counterparty risk

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

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

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

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

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives and the boards through IBP BRCC and DLC BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction. Credit policies have been updated and amended to include changes to reflect the implementation of IFRS 9.

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for the material ECL allowances across our portfolio, which are detailed on pages 48 to 57
- **Treasury function:** there are also certain exposures, outside of core loans and advances where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally and are typically investment grade rated. These counterparties are located in the UK, Western Europe, North America, Southern Africa and Australia.

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

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

Credit risk mitigation

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

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

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

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

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

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

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

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

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

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

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

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

The bank places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro-hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2019 amounts to £0.6 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £0.5 million and total protection sold amounts to £0.1 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 64.

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

Credit and counterparty risk year in review

Underlying core assets continue to perform well. Net core loans and advances increased by 9.9% to £10.5 billion at 31 March 2019 from £9.5 billion at 1 April 2018, driven by our strategy to support corporate and private client lending activities including mortgages.

Asset quality continues to reflect the solid performance of core loans. The credit loss ratio on the overall book reduced to a normalised level at 0.38% (31 March 2018: 1.14%) following the removal of the legacy drag.

Stage 3 in the Ongoing book (excluding Legacy) totalled £149 million or 1.5% of gross core loans subject to ECL at 31 March 2019 from 2.6% at 1 April 2018.

Stage 3 (including Legacy and Ongoing) totalled £319 million (3.2% of gross core loans subject to ECL) at 31 March 2019 significantly reduced from £564 million (6.3% of gross core loans subject to ECL) at 1 April 2018 largely due to a number of exits in the legacy portfolio. Stage 3 exposures are well covered by impairments. Legacy exposures have reduced by 49% to £131 million (net of impairments) at 31 March 2019. These assets are substantially impaired and are largely reported under Stage 3.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £21.9 billion at 31 March 2019. Cash and near cash balances amounted to £6.8 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 99% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	**31 March 2019**	1 April 2018
Cash and balances at central banks	4 445	3 480
Loans and advances to banks	955	773
Reverse repurchase agreements and cash collateral on securities borrowed	633	750
Sovereign debt securities	1 299	1 155
Bank debt securities	52	113
Other debt securities	509	288
Derivative financial instruments	587	525
Securities arising from trading activities	530	496
Loans and advances to customers	10 636	9 786
Other loans and advances	216	389
Other securitised assets	8	9
Other assets	46	45
Total on-balance sheet exposures	**19 916**	**17 809**
Guarantees	85	22
Committed facilities related to loans and advances to customers	1 484	1 092
Contingent liabilities, letters of credit and other	412	118
Total off-balance sheet exposures	**1 981**	**1 232**
Total gross credit and counterparty exposures	**21 897**	**19 041**

A further analysis of gross credit and counterparty exposures

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

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

^ *ECLs include £1.4 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. 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.*

* *Largely 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 '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 our gross credit and counterparty exposure *(continued)*

At 1 April 2018 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	Expected credit losses^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	3 480	–	3 480	–	8	3 488
Loans and advances to banks	773	–	773	(1)	–	772
Reverse repurchase agreements and cash collateral on securities borrowed	750	38	712	–	–	750
Sovereign debt securities	1 155	165	990	–	–	1 155
Bank debt securities	113	55	58	–	–	113
Other debt securities	288	137	151	(6)	–	282
Derivative financial instruments	525	525	–	–	80	605
Securities arising from trading activities	496	496	–	–	206	702
Investment portfolio	–	–	–	–	472*	472
Loans and advances to customers	9 786	909	8 877	(247)	–	9 539
Other loans and advances	389	2	387	(3)	30	416
Other securitised assets	9	9	–	–	123^^	132
Interest in associated undertakings and joint venture holdings	–	–	–	–	6	6
Deferred taxation assets	–	–	–	–	149	149
Other assets	45	–	45	–	968**	1 013
Property and equipment	–	–	–	–	53	53
Investment properties	–	–	–	–	15	15
Goodwill	–	–	–	–	261	261
Intangible assets	–	–	–	–	104	104
Total on-balance sheet exposures	**17 809**	**2 336**	**15 473**	**(257)**	**2 475**	**20 027**
Guarantees	22	–	22	–	–	22
Committed facilities related to loans and advances to customers	1 092	3	1 089	(6)	–	1 086
Contingent liabilities, letters of credit and other	118	–	118	–	28	146
Total off-balance sheet exposures	**1 232**	**3**	**1 229**	**(6)**	**28**	**1 254**
Total exposures	**19 041**	**2 339**	**16 702**	**(263)**	**2 503**	**21 281**

^ *ECLs include £2.1 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. 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.*

* *Largely 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 'total credit and counterparty exposure'.*

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

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2019 £'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	4 445	–	–	–	–	–	4 445
Loans and advances to banks	919	–	36	–	–	–	955
Reverse repurchase agreements and cash collateral on securities borrowed	533	100	–	–	–	–	633
Sovereign debt securities	517	299	80	117	9	277	1 299
Bank debt securities	–	–	–	52	–	–	52
Other debt securities	31	11	21	71	47	328	509
Derivative financial instruments	140	56	71	191	68	61	587
Securities arising from trading activities	–	–	–	72	48	410	530
Loans and advances to customers	1 077	582	1 300	5 824	1 330	523	10 636
Other loans and advances	1	–	–	–	30	185	216
Other securitised assets	–	–	–	–	–	8	8
Other assets	35	11	–	–	–	–	46
Total on-balance sheet exposures	**7 698**	**1 059**	**1 508**	**6 327**	**1 532**	**1 792**	**19 916**
Guarantees	10	–	3	52	20	–	85
Committed facilities related to loans and advances to customers	165	39	155	882	148	95	1 484
Contingent liabilities, letters of credit and other	–	111	20	257	24	–	412
Total off-balance sheet exposures	**175**	**150**	**178**	**1 191**	**192**	**95**	**1 981**
Total gross credit and counterparty exposures	**7 873**	**1 209**	**1 686**	**7 518**	**1 724**	**1 887**	**21 897**

Detailed analysis of gross credit and counterparty exposures by industry

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

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

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

At 1 April 2018 £'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	3 480	–	–
Loans and advances to banks	–	–	–	–	–	–	773
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	750
Sovereign debt securities	–	–	–	–	1 155	–	–
Bank debt securities	–	–	–	–	–	–	113
Other debt securities	–	–	–	60	6	–	50
Derivative financial instruments	22	–	2	51	–	13	331
Securities arising from trading activities	–	–	–	5	346	3	113
Loans and advances to customers	1 916	1 968	6	447	153	669	1 635
Other loans and advances	–	–	–	–	–	–	176
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	45
Total on-balance sheet exposures	**1 938**	**1 968**	**8**	**563**	**5 140**	**685**	**3 986**
Guarantees	15	3	–	–	–	–	2
Committed facilities related to loans and advances to customers	128	315	–	105	23	74	215
Contingent liabilities, letters of credit and other	–	–	–	72	–	–	36
Total off-balance sheet exposures	**143**	**318**	**–**	**177**	**23**	**74**	**253**
Total gross credit and counterparty exposures	**2 081**	**2 286**	**8**	**740**	**5 163**	**759**	**4 239**

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport	Com-munication	**Total**
–	–	–	–	–	–	–	–	–	3 480
–	–	–	–	–	–	–	–	–	773
–	–	–	–	–	–	–	–	–	750
–	–	–	–	–	–	–	–	–	1 155
–	–	–	–	–	–	–	–	–	113
–	–	19	40	–	32	–	74	7	288
32	20	3	–	3	17	1	28	2	525
3	–	–	–	–	2	–	–	24	496
266	770	64	–	132	128	230	1 267	135	9 786
–	–	–	213	–	–	–	–	–	389
–	–	–	9	–	–	–	–	–	9
–	–	–	–	–	–	–	–	–	45
301	**790**	**86**	**262**	**135**	**179**	**231**	**1 369**	**168**	**17 809**
–	–	–	–	–	2	–	–	–	22
43	56	6	–	3	95	17	4	8	1 092
5	–	–	–	–	1	4	–	–	118
48	**56**	**6**	**–**	**3**	**98**	**21**	**4**	**8**	**1 232**
349	**846**	**92**	**262**	**138**	**277**	**252**	**1 373**	**176**	**19 041**

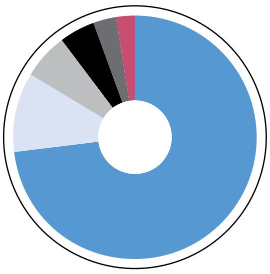
The tables that follow provide information on gross core loans and advances.

Composition of core loans and advances

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

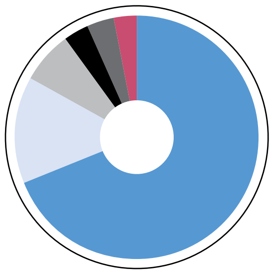
£'million	31 March 2019	1 April 2018
Loans and advances to customers per the balance sheet	10 488	9 540
ECL held against FVOCI loans reported on the balance sheet within reserves	(1)	(1)
Net core loans and advances	**10 487**	**9 539**
of which amortised cost and FVOCI ('subject to ECL')	9 715	8 630
of which FVPL	772	909
Add: ECL	149	247
Gross core loans and advances	**10 636**	**9 786**
of which amortised cost and FVOCI ('subject to ECL')	9 864	8 877
of which FVPL	772	909

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



31 MARCH 2019
£10 636 million

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



1 APRIL 2018
£9 786 million

69.0%	United Kingdom
14.3%	Europe (excluding UK)
6.7%	North America
3.4%	Australia
3.6%	Asia
3.0%	Other

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

The tables that follow provide information with respect to the asset quality of our gross core loans and advances on a statutory basis. Our exposure (net of ECL) to the Legacy portfolio* has further reduced from £256 million at 1 April 2018 to £131 million at 31 March 2019. These assets are substantially impaired and are largely reported under Stage 3 indicated below.

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

£'million	31 March 2019	1 April 2018
Gross core loans and advances subject to ECL	**9 864**	**8 877**
Stage 1	8 969	7 721
Stage 2	576	592
of which past due greater than 30 days	13	18
Stage 3	319	564
*of which Ongoing (excluding Legacy) Stage 3**	*149*	*221*
Gross core loans and advances subject to ECL (%)		
Stage 1	91.0%	87.0%
Stage 2	5.8%	6.7%
Stage 3	3.2%	6.3%
*of which Ongoing (excluding Legacy) Stage 3**	*1.5%*	*2.6%*

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

£'million	31 March 2019	31 March 2018^
ECL impairment charges on core loans and advances	(36)	–
Average gross core loans and advances subject to ECL	9 371	–
Income statement charge for impairments on core loans and advances	–	(106)
Average gross core loans and advances	–	9 270
Credit loss ratio	**0.38%**	**1.14%**

£'million	31 March 2019	1 April 2018
ECL	**(149)**	**(247)**
Stage 1	(14)	(15)
Stage 2	(27)	(40)
Stage 3	(108)	(192)
*of which Ongoing (excluding Legacy) Stage 3**	*(35)*	*(45)*
ECL coverage ratio (%)		
Stage 1	0.2%	0.2%
Stage 2	4.7%	6.8%
Stage 3	33.9%	34.0%
*of which Ongoing (excluding Legacy) Stage 3**	*23.5%*	*20.4%*

* *Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.*

^ *Comparative information has been presented on an IAS 39 basis. On adoption of IFRS 9 there is a move from an incurred loss model to an ECL methodology.*

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

£'million	31 March 2019	1 April 2018
Stage 3 net of ECL	211	372
*of which Ongoing (excluding Legacy) Stage 3**	*114*	*176*
Aggregate collateral and other credit enhancements on Stage 3	228	414
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.2%	6.3%
*of which Ongoing (excluding Legacy) Stage 3**	*1.5%*	*2.6%*
Total ECL impairments as a % of Stage 3 exposure	46.7%	43.8%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.2%	4.3%
*of which Ongoing (excluding Legacy) Stage 3**	*1.2%*	*2.0%*

* *Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.*

Stage 1: 91.0% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected loss. Coverage for these performing, non-deteriorated assets is 0.2%.

Stage 2: 5.8% of gross exposure is in Stage 2 and has seen a significant increase in credit risk since origination. These assets require a lifetime expected loss to be held. Only £13 million or 0.1% of gross core loans shown in Stage 2 are greater than 30 days past due. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 3.2% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. This has reduced from 6.3% at 1 April 2018 as we continue to make progress in reducing legacy loans. Coverage ratio totals 33.9% and the remaining net exposure is considered well covered by collateral. The legacy portfolio is predominantly reported in Stage 3 and makes up 53.3% of Stage 3 gross loans. These assets have been significantly provided for and coverage for these assets remains high at 42.9%. Excluding Legacy, Ongoing Stage 3 exposure total £149 million or 1.5% of gross core loans and advances subject to ECL. This has reduced from 2.6% at 1 April 2018.

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

The table below indicates underlying movements in gross core loans and advances subject to ECL from 1 April 2018 to 31 March 2019. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. The ECL impact of changes to risk parameters and models during the period largely relates to the reduction in the bank's model overlay from £25 million to £8 million. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements in foreign exchange rates since the opening date, 1 April 2018. Further analysis as at 31 March 2019 of gross core loans and advances subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
At 1 April 2018	**7 721**	**(15)**	**592**	**(40)**	**564**	**(192)**	**8 877**	**(247)**
Transfer from Stage 1	(210)	1	184	(1)	26	–	–	–
Transfer from Stage 2	124	(2)	(177)	9	53	(7)	–	–
Transfer from Stage 3	9	(1)	14	(2)	(23)	3	–	–
ECL remeasurement arising from transfer of stage	–	2	–	(3)	–	(12)	–	(13)
New lending net of repayments (includes assets written off)	1 279	(6)	(42)	2	(303)	96	934	92
Changes to risk parameters and models	–	7	–	9	–	5	–	21
Foreign exchange and other	46	–	5	(1)	2	(1)	53	(2)
At 31 March 2019	**8 969**	**(14)**	**576**	**(27)**	**319**	**(108)**	**9 864**	**(149)**

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12-month PD at 31 March 2019 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

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

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

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

Year in review

Lending collateralised by property has continued to reduce as a proportion of our net core loan exposures and totals £1.9 billion or 17.8% at 31 March 2019. New lending is largely against income-producing commercial and residential properties at conservative loan-to-values. The bulk of property collateralised assets are located in the UK. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

Lending collateralised by property

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2019										
Commercial real estate	**908**	**(1)**	**158**	**(11)**	**106**	**(22)**	**1 172**	**(34)**	**11**	**1 183**
Commercial real estate – investment	790	(1)	149	(10)	104	(22)	1 043	(33)	10	1 053
Commercial real estate – development	118	–	3	–	–	–	121	–	1	122
Commercial vacant land and planning	–	–	6	(1)	2	–	8	(1)	–	8
Residential real estate	**599**	**–**	**14**	**–**	**122**	**(53)**	**735**	**(53)**	**40**	**775**
Residential real estate – investment	330	–	9	–	29	(11)	368	(11)	35	403
Residential real estate – development	268	–	2	–	57	(24)	327	(24)	3	330
Residential vacant land and planning	1	–	3	–	36	(18)	40	(18)	2	42
Total lending collateralised by property	**1 507**	**(1)**	**172**	**(11)**	**228**	**(75)**	**1 907**	**(87)**	**51**	**1 958**
At 1 April 2018										
Commercial real estate	**586**	**(1)**	**255**	**(21)**	**225**	**(65)**	**1 066**	**(87)**	**72**	**1 138**
Commercial real estate – investment	476	(1)	239	(19)	176	(40)	891	(60)	59	950
Commercial real estate – development	110	–	10	–	17	(7)	137	(7)	3	140
Commercial vacant land and planning	–	–	6	(2)	32	(18)	38	(20)	10	48
Residential real estate	**496**	**–**	**41**	**(2)**	**201**	**(80)**	**738**	**(82)**	**92**	**830**
Residential real estate – investment	135	–	17	(1)	39	(15)	191	(16)	46	237
Residential real estate – development	356	–	24	(1)	112	(43)	492	(44)	33	525
Residential vacant land and planning	5	–	–	–	50	(22)	55	(22)	13	68
Total lending collateralised by property	**1 082**	**(1)**	**296**	**(23)**	**426**	**(145)**	**1 804**	**(169)**	**164**	**1 968**

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

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

Credit risk arises from the following activities:

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

Year in review

High net worth and other private client lending increased by 22.2% year on year, driven by strong targeted growth in mortgages for the bank's high net worth target market clients, following the investment in our UK private banking platform and franchise. Growth in this area has been achieved with strong adherence to our conservative lending appetite.

High net worth and other private client lending

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2019										
Mortgages	1 778	–	22	(1)	25	(1)	1 825	(2)	–	1 825
High net worth and specialised lending	474	–	14	(1)	4	(3)	492	(4)	15	507
Total high net worth and other private client lending	**2 252**	**–**	**36**	**(2)**	**29**	**(4)**	**2 317**	**(6)**	**15**	**2 332**
At 1 April 2018										
Mortgages	1 430	(1)	33	(2)	18	(3)	1 481	(6)	–	1 481
High net worth and specialised lending	411	(1)	3	–	8	(6)	422	(7)	13	435
Total high net worth and other private client lending	**1 841**	**(2)**	**36**	**(2)**	**26**	**(9)**	**1 903**	**(13)**	**13**	**1 916**

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

We focus on traditional client-driven corporate lending activities. Within the corporate lending businesses, credit risk can arise from corporate loans, acquisition finance, asset finance, power and infrastructure finance, asset-based lending, fund finance and resource finance. We also undertake debt origination activities for corporate clients.

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

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

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

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

Year in review

Corporate client and other lending increased by 7.8% from £5.9 billion at 1 April 2018 to £6.3 billion at 31 March 2019. Growth has been well diversified across several asset classes and industries. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets.

Corporate and other lending

£'million	Gross core loans and advances at amortised cost and FVOCI – 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 and advances at FVPL	Gross core loans and advances
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	314	–	53	(1)	–	–	367	(1)	–	367
Fund finance	1 156	(1)	–	–	–	–	1 156	(1)	55	1 211
Other corporate and financial institutions and governments	396	(1)	27	(1)	–	–	423	(2)	219	642
Asset finance	1 599	(6)	108	(6)	56	(28)	1 763	(40)	171	1 934
Small ticket asset finance	1 451	(6)	86	(5)	26	(14)	1 563	(25)	–	1 563
Large ticket asset finance	148	–	22	(1)	30	(14)	200	(15)	171	371
Project finance	404	–	55	(3)	6	(1)	465	(4)	37	502
Resource finance	13	–	–	–	–	–	13	–	12	25
Total corporate and other lending	**5 210**	**(13)**	**368**	**(14)**	**62**	**(29)**	**5 640**	**(56)**	**706**	**6 346**
At 1 April 2018										
Corporate and acquisition finance	1 262	(5)	39	(1)	19	(6)	1 320	(12)	213	1 533
Asset-based lending	279	(1)	41	(1)	11	(1)	331	(3)	–	331
Fund finance	1 017	(1)	13	(1)	–	–	1 030	(2)	–	1 030
Other corporate and financial institutions and governments	418	–	13	(1)	–	–	431	(1)	216	647
Asset finance	1 422	(4)	100	(8)	78	(31)	1 600	(43)	272	1 872
Small ticket asset finance	1 294	(3)	79	(7)	14	(9)	1 387	(19)	–	1 387
Large ticket asset finance	128	(1)	21	(1)	64	(22)	213	(24)	272	485
Project finance	400	(1)	54	(3)	4	–	458	(4)	26	484
Resource finance	–	–	–	–	–	–	–	–	5	5
Total corporate and other lending	**4 798**	**(12)**	**260**	**(15)**	**112**	**(38)**	**5 170**	**(65)**	**732**	**5 902**

Selected 2018 credit disclosures

The disclosures that follow were included in the 2018 Investec Bank plc annual financial statements and do not reflect the adoption of IFRS 9. The tables have been shown below and not adjacent to the current 2019 credit risk tables as these tables reflect IAS 39 disclosures and as a result are not directly comparable to the 2019 tables, which are disclosed on an IFRS 9 basis.

An analysis of gross credit and counterparty exposures

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	**Total balance sheet**
At 31 March 2018				
Cash and balances at central banks	3 479 639	8 129		3 487 768
Loans and advances to banks	772 984	–		772 984
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	–		750 428
Sovereign debt securities	1 155 472	–		1 155 472
Bank debt securities	107 938	–		107 938
Other debt securities	288 349	–		288 349
Derivative financial instruments	513 836	96 365		610 201
Securities arising from trading activities	496 498	205 230		701 728
Investment portfolio	–	472 083	1	472 083
Loans and advances to customers	9 815 012	(151 840)	2	9 663 172
Other loans and advances	332 672	85 075	3	417 747
Other securitised assets	8 668	123 504	4	132 172
Interest in associated undertakings and joint venture holdings	–	6 414		6 414
Deferred taxation assets	–	84 599		84 599
Other assets	44 707	968 733	5	1 013 440
Property and equipment	–	53 183		53 183
Investment properties	–	14 500		14 500
Goodwill	–	261 075		261 075
Intangible assets	–	103 972		103 972
Total on-balance sheet exposures	**17 766 203**	**2 331 022**		**20 097 225**

1. *Relates to exposures that are classified as investment risk in the banking book.*
2. *Largely relates to impairments.*
3. *Largely intergroup lending which is deemed to have no credit exposure.*
4. *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 the security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicle that the bank has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the bank in the column headed 'assets that we deem to have no legal credit exposure'.*
5. *Other assets include settlement debtors less than 2 days which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Selected 2018 credit disclosures *(continued)*

An analysis of our core loans and advances, asset quality and impairments

£'000	31 March 2018
Gross core loans and advances to customers	**9 815 012**
Total impairments	**(151 840)**
Specific impairments	(89 863)
Portfolio impairments	(61 977)
Net core loans and advances to customers	**9 663 172**
Average gross core loans and advances to customers	**9 270 264**
Current loans and advances to customers	9 376 976
Past due loans and advances to customers (1 – 60 days)	40 315
Special mention loans and advances to customers (1 – 90 days)	37 085
Default loans and advances to customers	360 636
Gross core loans and advances to customers	**9 815 012**
Current loans and advances to customers	9 376 976
Default loans that are current and not impaired	50 224
Gross core loans and advances to customers that are past due but not impaired	135 830
Gross core loans and advances to customers that are impaired	251 982
Gross core loans and advances to customers	**9 815 012**
Total income statement charge for impairments on core loans and advances	**(105 864)**
Gross default loans and advances to customers	360 636
Specific impairments	(89 863)
Portfolio impairments	(61 977)
Defaults net of impairments	**208 796**
Aggregate collateral and other credit enhancements on defaults	291 834
Net default loans and advances to customers (limited to zero)	**–**
Ratios	
Total impairments as a % of gross core loans and advances to customers	1.55%
Total impairments as a % of gross default loans	42.10%
Gross defaults as a % of gross core loans and advances to customers	3.67%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.16%
Net defaults as a % of net core loans and advances to customers	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	1.14%

Investment risk in the banking book

Investment risk description

Investment risk in the banking book comprises of 2.60% of total assets and arises primarily from the following activities conducted within the bank:

- **Principal investments:** Principal investments are focused on providing capital to entrepreneurs and management teams to further their growth ambitions as well as leveraging third party capital into funds that are relevant to our client base. Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on an IPO, or sale of one of our investments to a listed company. We have limited appetite for listed investments
- **Lending transactions:** The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** We undertake development, investment and trading opportunities in support of clients to create value and trade for profit within agreed risk parameters.

Management of investment risk

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

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

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 162 to 166 and pages 194 to 203 for factors taken into consideration in determining fair value.

The table below provides an analysis of income and revaluations of these investments.

£'000 Category	Income/(loss) (pre-funding costs) Unrealised*	Realised*	Dividends	Total	Fair value through equity/ OCI
For the year to 31 March 2019					
Unlisted investments	30 104	25 393	4 161	59 658	–
Listed equities	(26 762)	(7 566)	95	(34 233)	–
Investment and trading properties	13 266	(7 231)	–	6 035	–
Warrants and profit shares	(7 906)	18 374	–	10 468	–
Total	**8 702**	**28 970**	**4 256**	**41 928**	**–**
For the year to 31 March 2018					
Unlisted investments	17 850	32 982	10 169	61 001	(786)
Listed equities	(9 716)	(1 667)	2	(11 381)	2 214
Investment and trading properties	(10 977)	1 650	–	(9 327)	–
Warrants, profit shares and other embedded derivatives	5 664	7 202	–	12 866	–
Total	**2 821**	**40 167**	**10 171**	**53 159**	**1 428**

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

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

£'million Category	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*	On-balance sheet value of investments 1 April 2018	Valuation change stress test 1 April 2018*
Unlisted investments	465	70	411	62
Listed equities	21	5	61	15
Total investment portfolio	**486**	**75**	**472**	**77**
Investment and trading properties	70	13	113	21
Warrants and profit shares	19	6	22	8
Total	**575**	**94**	**607**	**106**

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

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants and profit shares	35%

Stress testing summary

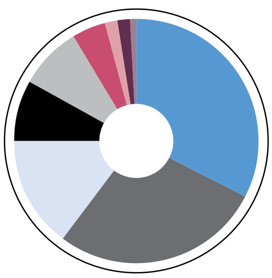
Based on the information at 31 March 2019, as reflected above, we could have a £94 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss but could have a significantly 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.

Capital requirements

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

Refer to page 84 for further detail.

An analysis of the investment portfolio, warrants and profit shares



31 MARCH 2019
£505 million

32.6%	Real estate
27.7%	Manufacturing and commerce
14.8%	Finance and insurance
8.2%	Communication
8.1%	Retailers and wholesalers
4.6%	Transport
1.7%	Other
1.5%	Mining and resources
0.8%	Business services

Securitisation/structured credit activities exposures

Overview

The primary focus for new securitisation transactions remains to provide a cost effective, alternative source of financing to the bank. During the year we did not undertake any new securitisation transactions.

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

For regulatory purposes, the securitisation definition focuses on those securitisations in which the bank has achieved significant risk transfer.

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

In July 2016, the BCBS published the final standards on the securitisation framework which were implemented in the EU on 1 January 2019. The framework amended the regulatory capital requirements for securitisation, introducing both a new standardised approach and external ratings approach and setting out the grandfathering provisions which apply in the 2019 year for assets that were securitised before 1 January 2019.

We hold rated structured credit instruments. These exposures are largely in the UK and US and amount to £462 million at 31 March 2019 (31 March 2018: £266 million) with 90.0% being AA and AAA rated and 9.5% being A rated.

Accounting policies

Refer to page 164.

Risk management

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

Credit analysis

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

Nature of exposure/activity	**Exposure 31 March 2019 £'million**	Exposure 1 April 2018 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	469	276	Other debt securities and other loans and advances
Rated	462	266	
Unrated	7	10	
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) – (net exposure)	–	130	Other loans and advances

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US corporate loans	84	117	11	–	–	–	212	–	**212**
UK RMBS	108	97	33	–	2	–	240	7	**247**
European corporate loans	–	10	–	–	–	–	10	–	**10**
Total at 31 March 2019	**192**	**224**	**44**	**–**	**2**	**–**	**462**	**7**	**469**
Total at 1 April 2018	**72**	**125**	**67**	**–**	**2**	**–**	**266**	**10**	**276**

Market risk in the trading book

Traded market risk description

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

Traded market risk profile

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

Traded market risk governance structure

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

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

Measurement of traded market risk

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

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

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

Traded market risk management, monitoring and control

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

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

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

Value at risk

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

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

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

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

	31 March 2019				31 March 2018			
£'000	**Year-end**	Average	High	Low	**Year-end**	Average	High	Low
(Using 95% VaR)								
Equities	415	490	748	327	495	519	746	345
Foreign exchange	20	13	117	1	18	17	80	1
Interest rates	133	94	156	70	81	84	147	67
Credit#	1	55	123	1	23	90	184	16
Consolidated*	**417**	**484**	**739**	**350**	**502**	**509**	**740**	**311**

* *The consolidated VaR is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).*
\# *The reduction in credit VaR as at 31 March 2019 was due to a strategic decision to reduce positions.*

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) **£'000**	**31 March 2019**	31 March 2018
Equities	638	655
Foreign exchange	29	26
Interest rates	179	113
Credit	1	35
Consolidated*	**618**	**661**

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

Stressed VaR

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

£'000	**31 March 2019 Year-end**	31 March 2018 Year-end
99% 1-day sVaR	**2 594**	**1 541**

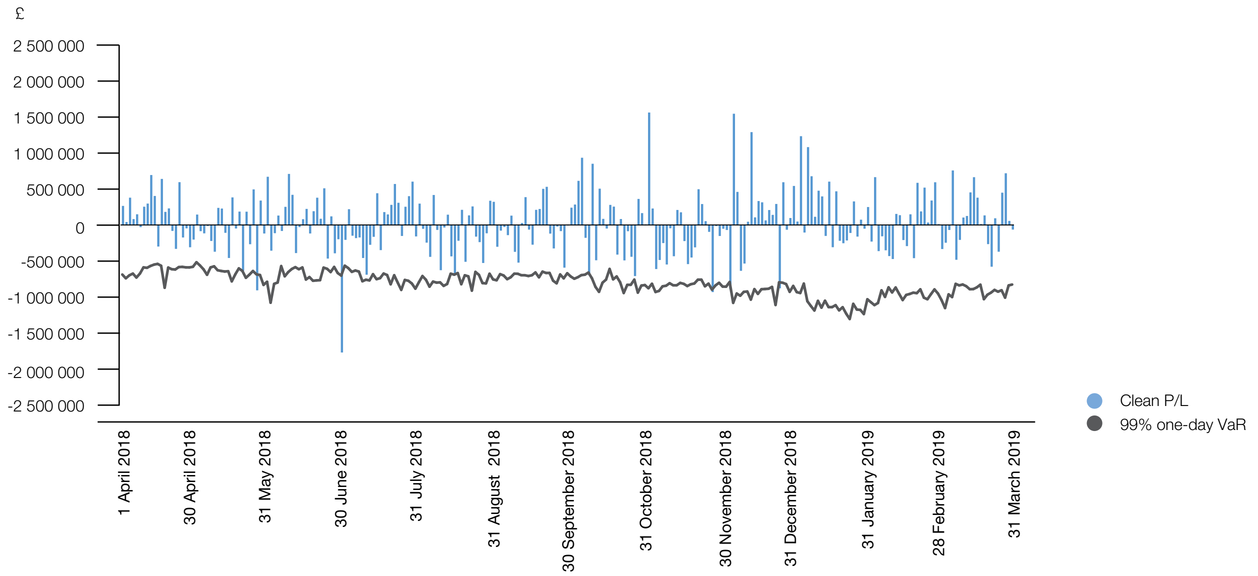
Backtesting

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

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

The average VaR for the year ended March 2019 was slightly lower than the previous year. Using clean profit and loss data for backtesting resulted in six exceptions over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is more than expected at this confidence level and is due to increased market volatility in the last quarter of 2018 as well as an increase in idiosyncratic risk in the equity portfolio.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise in trading book portfolio per extreme value theory (EVT) at the 99% confidence level. EVT is a methodology, widely used to estimate tail-event losses beyond the 95% 1-day VaR. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

£'000	31 March 2019 Year-end	31 March 2018 Year-end
(Using 99% EVT)		
Equities	1 114	1 475
Foreign exchange	77	66
Interest rates	339	226
Credit	3	83
Consolidated*	**1 190**	**1 441**

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

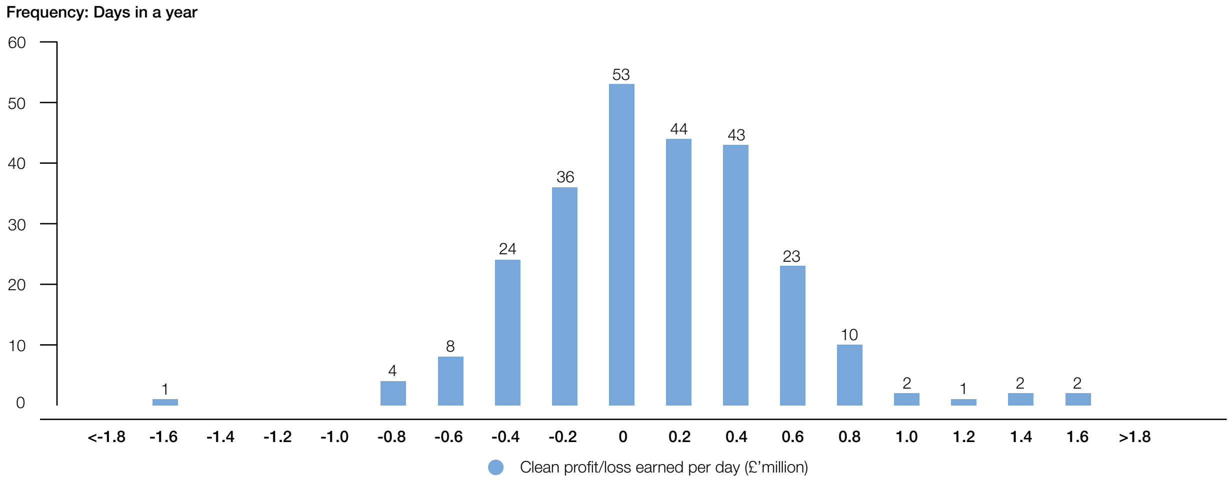
Capital

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

Clean profit and loss histogram

The histogram below illustrates the distribution of hypothetical profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 127 days out of a total of 253 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2019 was £25 196 (2018: £61 232).

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



Traded market risk year in review

Sales and trading revenue were impacted by lower client activity due to uncertainty around Brexit and range bound foreign exchange markets during the year in review. The sell-off in equity markets during the latter half of 2018 also gave rise to a difficult trading environment. The primary focus of the bank's trading desks remains to facilitate the hedging of client activity with limited proprietary risk taken. This is reflected by the low level of market risk exposures including the 95% one-day VaR which was £0.4 million at 31 March 2019, down from £0.5 million at 31 March 2018. VaR exposure across all trading desks remained low throughout the year.

Market risk – derivatives

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 221 and 222.

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

Balance sheet risk management

Balance sheet risk description

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

Balance sheet risk governance structure and risk mitigation

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

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

Under delegated authority of the boards, the bank has established ALCOs within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

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

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

The Treasury function, by core geography, directs pricing for all deposit products, establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions. The Treasury function is the sole interface to the wholesale money market for both cash and derivative transactions.

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

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

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

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

Liquidity risk

Liquidity risk description

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

Liquidity risk is further broken down into:

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

Management and measurement of liquidity risk

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

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

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

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

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

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

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

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

The bank operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis. The system is audited by Internal Audit thereby ensuring integrity of the process.

Funding strategy

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

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

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

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

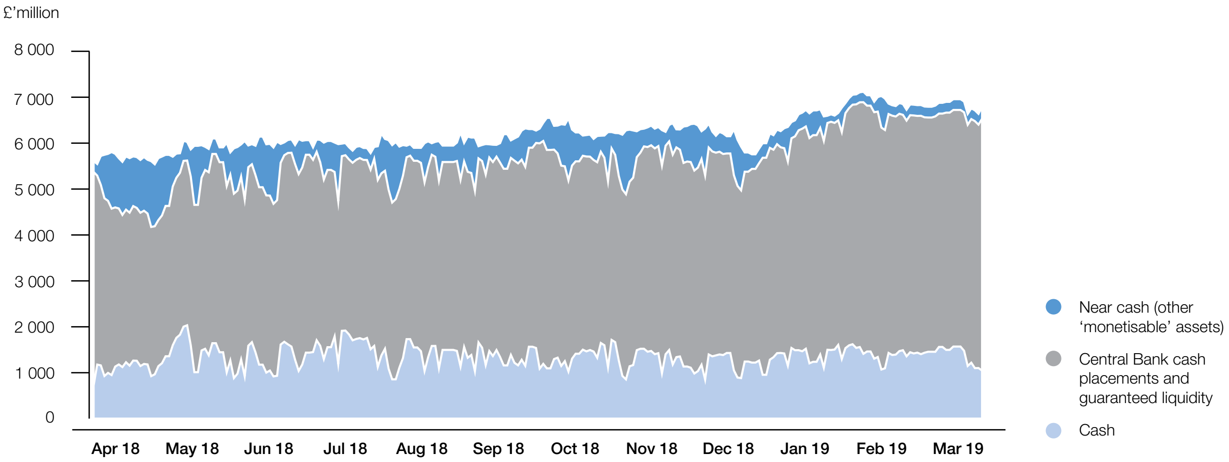
We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer

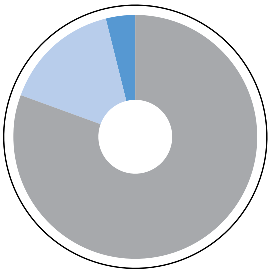
To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection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

From 1 April 2018 to 31 March 2019 average cash and near cash balances over the period amounted to £6.2 billion.

Cash and near cash trend



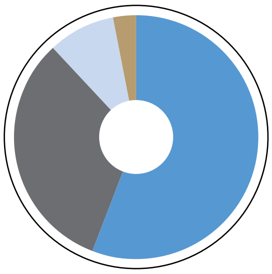
An analysis of cash and near cash at 31 March 2019



£6 792 million

80.8%	Central Bank cash placements and guaranteed liquidity
15.4%	Cash
3.8%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2019



£14 818 million

55.9%	Individuals
32.3%	Non-financial corporates
8.9%	Banks
2.9%	Small business

The liquidity position of the bank remained sound with total cash and near cash balances amounting to £6.8 billion at year end.

Contingency planning

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

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

Asset encumbrance

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

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

The bank uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the bank which are available to provide a pool of collateral eligible to support central bank liquidity facilities, including the Bank of England' Funding for Lending and Term Funding Schemes.

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

On page 218 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Liquidity mismatch

The table that follows shows the liquidity mismatch.

With respect to the contractual liquidity table below, 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
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but behaviourally withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2019

£'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	5 052	219	–	22	30	77	–	5 400
Investment/trading assets	582	257	457	469	106	889	1 668	4 428
Securitised assets	–	3	–	–	–	12	103	118
Advances	104	283	644	656	1 404	5 621	2 022	10 734
Other assets	204	447	34	7	12	68	669	1 441
Assets	**5 942**	**1 209**	**1 135**	**1 154**	**1 552**	**6 667**	**4 462**	**22 121**
Deposits – banks	(39)	(114)	–	–	(346)	(800)	(20)	(1 319)
Deposits – non-banks	(4 005)	(654)	(2 556)	(2 848)	(1 564)	(1 683)	(189)	(13 499)
Negotiable paper	(1)	(10)	(21)	(41)	(88)	(1 324)	(565)	(2 050)
Securitised liabilities	–	–	(2)	(2)	(4)	(36)	(70)	(114)
Investment/trading liabilities	(300)	(100)	(189)	(15)	(38)	(262)	(210)	(1 114)
Subordinated liabilities	–	–	–	–	–	(393)	(411)	(804)
Other liabilities	(288)	(466)	(75)	(31)	(118)	(32)	(48)	(1 058)
Liabilities	**(4 633)**	**(1 344)**	**(2 843)**	**(2 937)**	**(2 158)**	**(4 530)**	**(1 513)**	**(19 958)**
Total equity	–	–	–	–	–	–	(2 163)	(2 163)
Contractual liquidity gap	**1 309**	**(135)**	**(1 708)**	**(1 783)**	**(606)**	**2 137**	**786**	**–**
Cumulative liquidity gap	1 309	1 174	(534)	(2 317)	(2 923)	(786)	–	

Behavioural liquidity

As discussed on page 68.

£'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	**4 483**	**(136)**	**(1 533)**	**(990)**	**(607)**	**(1 807)**	**590**	**–**
Cumulative	4 483	4 347	2 814	1 824	1 217	(590)	–	

Regulatory requirements

In response to the 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 within the EU have been required to maintain a minimum LCR ratio of 100%. For IBP (solo basis), the LCR is calculated following the European Commission Delegated Regulation 2015/61 and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations.

The BCBS published their final paper on NSFR in October 2014. In November 2016, the European Commission released a number of proposals amending the CRR referred to as the 'CRR2/CRDV' package. This includes a number of EU specificities with respect to the NSFR. The implementation date of the ratio will be two years after the date entry into force of the proposed regulation, at which point banks will be required to maintain a minimum NSFR of 100%. The NSFR therefore remains subject to an observation period in advance of such implementation and we will continue to monitor these rules until final implementation. The internally calculated NSFR for IBP (solo basis) is based upon the BCBS paper and our own internal interpretations, as such, it is subject to change in response to regulatory updates and our methodologies.

The LCR reported to the PRA at 31 March 2019 was 291% for Investec Bank plc (solo basis) which is well ahead of the regulatory minimum of 100%. Ahead of the implementation of the final NSFR rules, the bank has applied its own interpretations of regulatory guidance and definitions from the BCBS final guidelines, to calculate the NSFR which was 126% for Investec Bank plc (solo basis) well ahead of the future regulatory minimum of 100%.

The reported LCR and NSFR may change over time with regulatory developments and guidance.

Investec plc undertakes an annual Individual Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm. This document includes IBP and is reviewed and approved by IBP BRCC and 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 2 requirement.

Balance sheet risk year in review

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

A strong liquidity position has continued to be maintained throughout the year primarily supported by robust growth in fixed term and notice retail deposits in the UK business.

Cash and near cash balances at 31 March 2019 amounted to £6.8 billion (31 March 2018: £5.6 billion). Customer deposits totalled £13.5 billion at 31 March 2019 (31 March 2018: £12.0 billion).

Following the UK's decision to leave the European Union, the bank will no longer be able to access deposits from European clients sourced through its Irish branch. The strong liquidity position has enabled asset growth during the year and as well as facilitating the repayment of these Irish deposits ahead of the UK's expected departure.

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

Growth in these customer channels is also supported through funding raised in the wholesale markets. In 2018/19, these have included the refinancing and upsizing of syndicated term loans and the net positive issuance, through a liability management exercise, of Investec Bank plc Tier 2 subordinated notes in the debt capital markets.

Overall funding costs have continued to decline through ongoing active management of the liability channels and the deployment of a diverse range of funding channels.

Despite the continuing market uncertainty over the UK's departure from the European Union, the overall liquidity position at the year-end remains strong across a range of metrics in line with our overall conservative approach to balance sheet risk management and is well positioned to support asset growth in the new financial year.

In February 2019, IBP's long-term deposit rating was upgraded by Moody's to A1 (stable outlook) and Investec plc's ratings were affirmed at Baa1 (stable outlook) while taking into account the proposed Investec Asset Management demerger. In August 2018, IBP's long-term deposit rating was affirmed by Fitch at BBB+ however in March 2019 Fitch placed IBP along with nineteen other UK banks Rating outlooks on Rating Watch Negative following Fitch's decision to place the UK sovereign (AA) on Rating Watch Negative, as a result of heightened uncertainty over the outcome of the Brexit process, and an increased risk of a disruptive 'no-deal' Brexit.

Non-trading interest rate risk

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios

- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

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

Measurement and management of non-trading interest rate risk

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

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

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

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering (i) interest rate expectations and perceived risks to the central view (ii) standard shocks to levels and shapes of interest rates and yield curves (iii) historically-based yield curve changes.

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

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

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

We are exposed to automatic optionality risk for those lending products where the bank applies a minimum lending rate. This is an income protection mechanism allowing for upward potential and no downside risk. We are not materially exposed to behavioural embedded option risk, as contract breakage penalties on fixed-rate items specifically cover this risk, while early termination of variable rate contracts has negligible impact on interest rate risk.

The bank has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest-bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2019. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	5 400	–	–	–	–	–	5 400
Investment/trading assets	2 258	402	51	153	15	–	2 879
Securitised assets	118	–	–	–	–	–	118
Advances	6 279	1 769	408	2 100	178	–	10 734
Other assets	–	–	–	–	–	1 440	1 440
Assets	**14 055**	**2 171**	**459**	**2 253**	**193**	**1 440**	**20 571**
Deposits – banks	(1 305)	(14)	–	–	–	–	(1 319)
Deposits – non-banks	(9 535)	(878)	(1 635)	(1 447)	(4)	–	(13 499)
Negotiable paper	(2 050)	–	–	–	–	–	(2 050)
Securitised liabilities	(114)	–	–	–	–	–	(114)
Investment/trading liabilities	(154)	–	–	–	–	–	(154)
Subordinated liabilities	(76)	–	–	(728)	–	–	(804)
Other liabilities	–	–	–	–	–	(468)	(468)
Liabilities	**(13 234)**	**(892)**	**(1 635)**	**(2 175)**	**(4)**	**(468)**	**(18 408)**
Total equity	–	–	–	–	–	(2 163)	(2 163)
Balance sheet	**821**	**1 279**	**(1 176)**	**78**	**189**	**(1 191)**	**–**
Off-balance sheet	857	(54)	(142)	(543)	(118)	–	–
Repricing gap	**1 678**	**1 225**	**(1 318)**	**(465)**	**71**	**(1 191)**	**–**
Cumulative repricing gap	1 678	2 903	1 585	1 120	1 191	–	

Economic value sensitivity at 31 March 2019

As outlined above, 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. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	(9.2)	3.4	(5.0)	(0.9)	(0.1)	0.2	(11.2)
200bps up	9.6	(3.6)	5.2	0.9	0.1	(0.2)	11.6

Operational risk

Operational risk description

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

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

Risk appetite

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

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

Management and measurement of operational risk

Regulatory capital

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

As part of the Basel III Reforms, the BCBS has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital from January 2022.

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

Operational risk management framework and governance

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

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

The levels of defence model is applied as follows:

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

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

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

Operational risk practices consist of the following:

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

Operational risk year in review

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

Operational risk events

The bank aims to manage all risk events within the agreed operational risk appetite levels. In 2019, the majority of operational risk losses occurred in the following categories: execution, delivery and process management event, employment practises and workplace safety and fraud.

The value of these losses are largely driven by a small number of isolated events. Root cause analyses are performed on risk events to ensure steps are taken to mitigate against re-occurrence and to protect our customers and shareholders.

Looking forward

Key operational risk considerations for the year ahead

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintain business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establish fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conduct validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhance the bank's global resilience capability through a team of dedicated resources and robust governance processes • Participate in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks
Cyber security	
Risk associated with cyber-attacks which can interrupt client services or business processes, or result in financial losses	• Maintain a risk-based strategy to ensure the bank is adequately protected against advanced cyber-attacks, incorporating prediction, prevention, detection and response capabilities • Manage an adaptive cyber security architecture, ensuring consistent coverage of baseline cyber controls, with continual monitoring for visibility and proactive response to evolving cyber threats • Enhance cyber resilience by aligning security incident response with crisis management and business resilience processes • Validate the effectiveness of cyber controls through regular penetration testing and targeted attack simulations, run both internally and in conjunction with independent external specialists • Embed secure software development and testing practices to ensure IT systems are secure by design • Provide ongoing security training to staff to ensure high levels of awareness and vigilance
Anti-Money Laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Continuous enhancement of AML and sanctions control systems across the bank • Refinement of risk management methodology with the aim to risk rate clients better allowing more effective resource allocation based on the risk posed to the bank • Further enhancing the transaction monitoring environments with an aim to detect AML related activities • Continuous monitoring of adherence to AML policies and legislative requirements • AML awareness remains a key component of the control environment. The awareness is supported by mandatory training for all staff and specialist training for AML roles • Participate at industry body level to manage legislative requirements through engagement with regulators
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhance the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintain an independent integrity line to ensure staff is able to report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continue to focus on training staff, educating clients and intermediaries on fraud prevention and detection • Participate in industry working groups to gain an understanding of current trends in order to enhance the control environment

DEFINITION OF RISK	MANAGEMENT, MITIGATION APPROACH AND PRIORITIES FOR 2019/2020
Information security	
Risk associated with the compromise of information assets which can impact their confidentiality, integrity, or availability	• Identify high-value information assets based on confidentiality and business criticality • Manage role-based access to business systems and data, in support of least-privilege and segregation of duty principles • Implement strong security controls to protect information against unauthorised access or disclosure, and reduce opportunity for data compromise • Maintain safeguards to protect confidential physical documents and facilitate secure destruction • Develop mechanisms to monitor for and respond to data breaches in line with relevant privacy laws • Protect and monitor internal and external information flows to ensure data completeness and integrity • Develop data retention and destruction processes based on business needs, whilst meeting applicable regulatory compliance obligations
Outsourcing and third party	
Risk associated with the reliance on, and use of a service provider to provide services to the bank	• Governance structures are in place to approve outsource and third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of the outsource and third party providers • Continue to strengthen governance processes and relevant policies relating to how we identify, assess, mitigate and manage risks across the range of outsource and third party providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to implement adequate and effective controls including the management of change • Address human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group compliance and group legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Align regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures • Manage business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments (Refer to page 88) • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensure that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk (e.g. Brexit)
Technology availability	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Continue to align IT architecture and standards across the bank, to reduce technical complexity and leverage common functions and services • Further enhance IT operational processes, including management of IT changes to minimise adverse impact, and response to IT incidents for swift resolution and root cause analysis • Drive automation to reduce human error whilst enhancing efficiency • Implement strategic infrastructure and application roadmaps, leveraging new technologies to enhance capacity, scalability, security, and reduce reliance on legacy IT systems • Establish effective, proactive monitoring of the technology environment, providing continual visibility of the health and performance of IT systems and processes • Maintain and test IT resilience capabilities to withstand failure and minimise service disruption

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

Insurance

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

Recovery and resolution planning

The purpose of the recovery plan is to document how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties. In line with PRA and EU requirements, this document outlines the recovery plan for Investec plc which includes, Investec Bank plc. Even though the recovery plan is framed at a Investec plc level, the primary focus of this document is the recovery of the bank and the protection of its depositors and customers. The plan is reviewed and approved by the board on an annual basis.

The recovery plan for the Investec plc, focusing on the bank:

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

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

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities (MREL) on financial institutions to facilitate the effective exercise of the bail-in tool.

The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonised set of resolution tools across the European Union, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts.

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

Reputational and strategic risk

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

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

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

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources of risk include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

The Investec group has one remaining defined benefit scheme at 31 March 2019, which is closed to new business.

Further information is provided on pages 235 to 238.

Legal risk management

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

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

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

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

The legal risk policy is implemented through:

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

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

Conduct risk

The FCA has maintained its focus and approach to managing firms' conduct. By conduct risk we mean the risk that harm is caused to the bank, its customers, its counterparties or the wider market, as a result of inappropriate execution of business activities.

The FCA expects all firms to have a robust conduct risk framework in place to facilitate a culture that delivers good outcomes both for consumers and the markets. As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of market conduct.

Culture and good governance are ongoing themes which underlie much of the FCA's approach with focus on the role of the individual as well as the firm. The FCA has considered the role of leaders, incentives and capabilities, and governance of decision making. It expects firms to foster a culture which supports the spirit of regulation in preventing harm to consumers and markets.

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

Climate related financial disclosures (TCFD)

We recognise and support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to disclose clear, comparable and consistent information. This is the start of a long-term process to build a better understanding of environmental, social and governance (ESG) and climate-related risks and opportunities and consequently improve our disclosures in this regard.

Governance

Climate related risk considerations are integrated into multidisciplinary, companywide management processes throughout the Investec group. We are guided by our climate change statement and policies on environmental and social risk. The board has the ultimate responsibility to monitor that the bank is operating as a responsible corporate. The DLC SEC takes overall responsibility for reviewing ESG aspects, including policy and strategic intent, and meets four times a year. The DLC SEC supports the IBP board in its duties to protect and endorse the bank's reputation for responsible corporate conduct. In the past year the IBP board discussed and monitored the various elements of good corporate citizenship including, but not limited to, environmental (including climate change related risks and opportunities), health and public safety including, the impact of the bank's activities and of its products and services. The IBP board satisfied itself that the bank's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced.

A variety of environmental, social and macro-economic risk considerations are considered by the credit or investment committees when making lending or investment decisions. Divisional risk forums assess new deals for financial soundness including ESG due diligence.

We engage with our clients on sustainability issues in order to minimise the risks and require clients to meet appropriate technical, governance, transparency, social and environmental standards.

In view of the increasing challenges globally, financial risks along with environmental and social risks are regularly monitored and reviewed to ensure our policies and practices remain relevant and appropriate for the Investec group.

Strategy

As a distinctive financial institution, we are aware of our broader social responsibility and play a critical role in funding a stable and sustainable economy that contributes to our communities and is cognisant of climate change and our planet's limited natural resources.

We recognise the need to move as quickly and smoothly as possible towards a low-carbon economy while always being mindful of the socio-economic consequences of this transition. We also recognise the importance of various industries, including the energy sector, for the global economy. At the same time, their potential impacts on local communities and the environment needs to be taken into account. All these socio-economic and environmental factors need to be assessed in order to ensure an orderly transition.

Our strategy is based on the following:

- we believe that the widest and most positive influence we can have is for our businesses to use their specialist skills in advisory, lending and investing to support our clients and stakeholders. This not only navigates risks, but also takes advantage of the opportunities that sustainable growth presents. An important aspect of our approach is a deliberate focus on financing infrastructure solutions that promote renewable and clean energy and we have developed strong expertise in this sector
- we embrace our responsibility to understand and manage our own carbon footprint. Our approach is to limit and minimise our direct carbon impact and create awareness to encourage positive sustainable behaviour. We are exploring various opportunities as we work towards our ultimate goal of becoming carbon neutral in our operations
- where appropriate, we will share resources and intelligence to support global efforts to combat illegal wildlife trade. We are signatories to the United for Wildlife Financial Taskforce which leverages the existing global financial crime architectures to support efforts to combat illegal wildlife trade.

Risk management

The bank supports international best practices regarding the responsibilities of the financial sector in financing and investing transactions. Social, environmental and ethical risk considerations are implicit in our values, culture and code of conduct and are applied as part of our ESG risk framework.

In particular, the following factors are taken into account when a transaction is evaluated and approved or declined based on sustainability considerations:

- Climate change and environmental considerations (including animal welfare)
- Social considerations
- Ethical considerations (including human rights)
- Macro-economic considerations

We have a policy on environmental and social risk practices for both our lending and financing activities as well as our investment activities (including more detailed guidance for certain high-risk industries). This policy guides us in identifying and managing potential adverse impacts to the environment and to human rights, as well as the associated risks affecting our clients and our business. We have identified certain controversial activities we will not engage in, or will only participate under stringent criteria. As part of this commitment, we also engage with clients and suppliers to further understand their processes and policies and to explore how environmental and social risks may be mitigated. The objective of the ESG risk framework is to enable the business to identify, assess and manage a number of relevant risks at various stages of the lending and the investment process.

The bank will avoid exposures to any lending and investments that involve:

- Undue damage to high conservation and/or protected environmental areas
- Forced labour or child labour
- The production and trade of controversial or military weapons or ammunitions
- The production or trade in any product or activity deemed illegal under the country of operation's laws and regulations.

Any lending or investment activities with a corporate involved in transactions in the following activities requires stringent escalation to Policy ERRF:

- The production and trade in radioactive materials
- The production of harmful or addictive substances
- Activities that involve early drug testing on humans
- Activities that involve any form of testing on animals.

We follow the guidelines supplied by the International Finance Corporation (IFC) to categorise our general finance, lending and investing activities, into high, medium and low risk.

- **High risk:** Proposed funding or investment is likely to have significant adverse social or environmental impacts that are diverse, irreversible or unprecedented
- **Medium risk:** Proposed funding or investment likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Low risk:** Proposed funding or investment is likely to have minimal or no social or environmental impacts. Primarily services, consulting, training and education, trading, retail sales, etc.

We provide training on ESG risks and opportunities to staff through our credit college and have an ESG guideline handbook that is available to assist all staff in assessing ESG matters.

www ***For more information, please refer to our climate change, environmental and social risk policy on our website.***

Metrics and targets

We recognise that effective environmental management is an essential part of managing our carbon impact and are committed to operating an effective environmental management system (EMS) compliant with ISO 14001 in the UK head office. Further to this, our EMS reporting tool allows us to track and manage our direct operational impact.

www ***For details on our commitment please refer to our environmental policy statement on our website.***

In terms of our business impact, there is still a large degree of uncertainty around climate scenario analysis for the financial sector. We have embarked on a process to collect and disclose the relevant metrics and targets for potential climate risks and opportunities for our business and will enhance these disclosures within the five-year pathway, as outlined by the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Capital management and allocation

Regulatory capital

Current regulatory framework

Investec Bank plc is authorised by the PRA and is regulated by the FCA and the PRA on a solo-consolidated basis. Investec Bank plc calculates capital resources and requirements using the Basel III framework, as implemented in the European Union (EU) through the Capital Requirements Directive IV (CRD IV).

In the UK banks are required to meet minimum capital requirements as prescribed by CRD IV for Pillar I, namely a CET 1 capital requirement of 4.5% of risk-weighted assets (RWAs), a tier 1 capital requirement of 6% of RWAs and a total capital requirement of 8% of RWAs. In addition banks are required to meet their individual capital guidance, as determined by the internal capital adequacy assessment process (ICAAP) and supervisory review and evaluation process (SREP), with at least 56% of CET 1 capital. The PRA buffer, which is also determined as part of the ICAAP, must be supported with CET 1 capital.

In line with CRD IV, UK firms are required to meet a combined buffer requirement, which is in addition to the Pillar I and Pillar IIA capital requirements. The combined buffer includes the capital conservation buffer (CCB) and the countercyclical capital buffer (CCyB) and must be met with CET 1 capital. The buffer for global systemically important institutions (G-SIIs) and the systemic risk buffer do not apply to Investec Bank plc and will not be included in the combined buffer requirement.

From 1 January 2016 the bank began phasing in the CCB at 0.625% of RWAs. An additional 0.625% of RWAs was phased-in each year until fully implemented on 1 January 2019 at 2.5% of RWAs. As at 31 March 2019 the bank holds a CCB, which is met with CET 1 capital, of 2.5% of RWAs.

At 31 March 2019 the bank is holding an institution specific CCyB of 0.55% of RWAs. The institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. In November 2018, the UK countercyclical capital buffer rate has increased from 0.5% (June 2018) to 1%. The Hong Kong rate has increased from 1.875% to 2.5% in January 2019.

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

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

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

Regulatory considerations

The regulatory environment has continued to evolve during 2019, with a vast number of new consultations, regulatory technical standards, implementing technical standards and other proposals being published or adopted, notably by the PRA, the BCBS and the European Banking Authority (EBA).

International

In December 2017, the Basel Committee issued the final document of "Basel III: Finalising post-crisis reforms". The revisions to the regulatory framework will help restore credibility in the calculation of RWA's by:

- Enhancing the robustness and risk sensitivity of the standardised approaches for credit risk and operational risk
- Constraining the use of internal model approaches
- Complementing the risk-weighted capital ratio with a finalised leverage ratio and a revised capital floor

The changes are expected to come into force at a Basel level on January 1 2022. However it has yet to enter into the EU law and the EU has not yet set the expected implementation date.

In January 2019, the Basel committee on banking supervision issued a revised standard on the minimum requirements for market risk (Fundamental Review of the Trading Book (FRTB)), which replaced the earlier version of the standard which was published in January 2016. As in the January 2016 framework, the core features of the standard include:

- a clearly defined boundary between the trading book and the banking book
- an internal models approach that relies upon the use of expected shortfall models and sets out separate capital requirements for risk factors that are deemed non-modelable; and

- a standardised approach that is risk-sensitive and is designed and calibrated to serve as a credible fallback to the internal models approach.

At a Basel level the revised standards will take effect from 1 January 2022, together with the revised standards on credit risk, leverage ratio and operational risk which were published in December 2017. EU and domestic implementation date for these reforms have not yet been set.

The Basel committee has also published its final standard on the securitisation framework, which came into effect in the EU on 1 January 2019 with a one year grandfathering period for transactions issued pre-1 January 2019.

In addition, the BCBS issued a number of other guidelines and proposals during the year, of which the following are relevant to Investec plc:

- Leverage ratio treatment of client cleared derivatives
- The final guidelines for stress testing
- Pillar 3 disclosure requirements – updated framework; and
- Further refinements to the leverage ratio exposure measure for centrally cleared derivatives and disclosure of daily-average exposure measures are also under consideration.

UK

The UK's withdrawal from the EU

In August 2018, Her Majesty's Treasury (HMT) commenced the process of 'on-shoring' the current EU legislation to ensure that there is legal continuity after the UK's departure from the EU. One of the key effects of on-shoring will be to treat the EU in the same manner as any of the non EU counterparts. Under the draft provisions published by HMT, the PRA will be given the power to grant transitional provisions to delay the implementation of these changes for up to two years, should the UK leave the EU without an agreement on 31 October 2019.

Regulatory development

In November 2018, the PRA issued a "general requirements and the revised capital framework on securitization positions" supervisory statement. The policy, which came into force on 1 January 2019, sets out the general expectations of firms and processes under the securitisation regulation; expectations of firms seeking to become sponsors of Simple, Transparent and Standardised (STS) asset backed commercial paper programme. It also sets out the revised capital framework for the securitisation positions.

The new framework amends the capital requirements for securitisation positions by introducing a new standardised approach (SEC-SA) and an external ratings based approach (SEC-ERBA). It also sets out the grandfathering provisions which apply in 2019 for assets that were securitised before 1 January 2019.

In addition, during the year, the BoE and the PRA issued a number of other revisions to the regulatory framework. In particular:

- The PRA statement of policy sets out the methodologies that the PRA use to inform the setting of Pillar II capital for firms. The Pillar IIA methodologies sets out Pillar IIA capital requirement for credit risk, market risk, operational risk, counterparty credit risk, credit concentration risk, interest rate risk in the banking book, pension obligation risk and group risk.
- The PRA's approach to supervising liquidity and funding risks. The PRA expects firms to adhere to the EBA Supervisory review and evaluation process (SREP) guidelines which detail the PRA's expectations regarding liquidity and funding risk management and control.
- The PRA's supervisory statement on the internal capital adequacy assessment process (ICAAP) and the SREP. It sets out the PRA's expectations in relation to the ICAAP requirements, stress testing, scenario analysis, capital planning and reverse stress testing requirements.
- IFRS 9 was adopted into EU law and came into force on 1 January 2018. For regulatory reporting purposes Investec plc has adopted the transitional arrangements published by the EU on 27 December 2017 (article 473a of the CRR). These permit the bank to phase in the impact over five years post the introduction of IFRS 9. The proportion that the banks may add back starts at 95% in 2018 and is fully deducted by the end of the phasing period. The transitional arrangements took effect from 1 April 2018 for Investec group.

Europe

Changes to the BCBS framework are being implemented in Europe through changes to the Capital Requirements Directive and Regulation. Together, these changes are known as the 'CRRII/CRDV' package. The key CRRII/CRDV changes applicable to the bank include:

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

The compromise text of CRRII/CRDV package was agreed by the European parliament and council on 4 December 2018 and the final text was approved by the parliament and council on 14 February 2019 and was passed by plenary vote on 15 April 2019 and was adopted by the parliament at end of April 2019. The final implementation date has not yet been set.

Capital and leverage ratio targets

Capital

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. The bank has always held capital in excess of regulatory requirements and continues to remain well capitalised. Accordingly, the Investec group targets minimum CET 1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital ratio target in the range of 14% to 17%. These targets are set on a Investec group basis and exclude the deduction of foreseeable charges and dividends as required under the CRR and EBA technical standards. These targets are continuously assessed for appropriateness.

Leverage

The bank targets a leverage ratio above 6%, in line with the Investec group.

Management of capital and leverage

Capital

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

Leverage

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

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

Capital management

Philosophy and approach

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

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

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

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

The Investec plc and Investec Bank plc Capital Committee and the DLC Capital Committee seek to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

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

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

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

Capital planning and stress / scenario testing

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

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

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

The conditions themselves are agreed by the Investec plc and Investec Bank plc Capital Committee and the DLC Capital Committee after the key vulnerabilities have been determined through the stress testing workshops.

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

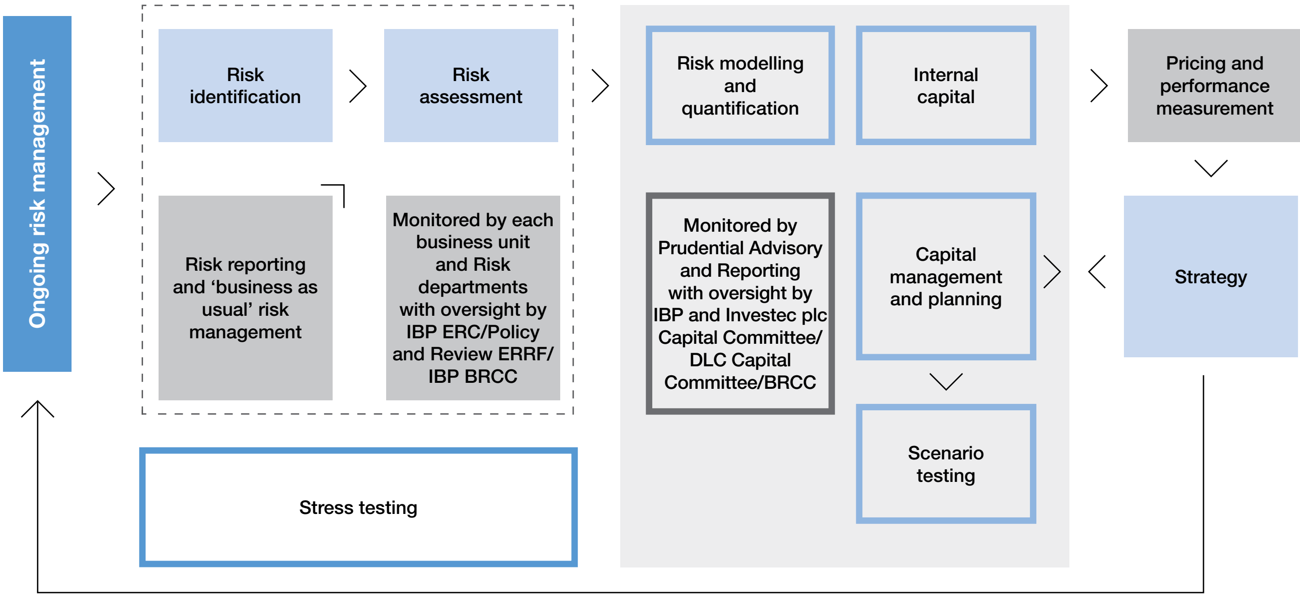
The output of capital planning allows senior management to make decisions to ensure that the bank continues to hold sufficient capital to meet regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment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

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

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

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

The (simplified) integration of risk and capital management



Capital requirements country-by-country reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013. The legislation requires the bank to publish certain additional information in respect of the year ended 31 March 2019. This information will be available on the Investec group website.

Capital structure and capital adequacy

£'million	31 March 2019°	1st April 2018	31 March 2018°
Tier 1 capital			
Shareholder's equity	**1 889**	**1 777**	**1 989**
Shareholder's equity excluding non-controlling interests	1 921	1 800	2 012
Foreseeable charges and dividends	(19)	(18)	(18)
Deconsolidation of special purpose entities	(13)	(5)	(5)
Non-controlling interests	**(8)**	**(3)**	**(3)**
Non-controlling interests per balance sheet	(8)	(3)	(3)
Regulatory adjustments to the accounting basis	**110**	**145**	**(4)**
Additional value adjustments	(5)	(4)	(4)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	21	55	–
Adjustment under IFRS 9 transitional arrangements	94	94	–
Deductions	**(348)**	**(361)**	**(361)**
Goodwill and intangible assets net of deferred tax	(335)	(348)	(348)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(13)	(9)	(9)
Securitisation positions	–	(3)	(3)
Debit valuation adjustment	–	(1)	(1)
Common equity tier 1 capital	**1 643**	**1 558**	**1 621**
Additional tier 1 capital	**250**	**200**	**200**
Additional tier 1 instruments	250	200	200
Total tier 1 capital	**1 893**	**1 758**	**1 821**
Tier 2 capital	**596**	**445**	**445**
Tier 2 instruments	596	445	445
Total regulatory capital	**2 489**	**2 203**	**2 266**
Risk-weighted assets	**14 631**	**13 777**	**13 744**
Capital ratios			
Common equity tier 1 ratio	11.2%	11.3%	11.8%
Tier 1 ratio	12.9%	12.8%	13.2%
Total capital ratio	17.0%	16.0%	16.5%

° *The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable dividends when calculating CET 1 capital as now required under the Capital Requirements Regulation and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec group's 2019 and 2018 integrated annual reports, which follow our normal basis of presentation and do not include this deduction when calculating CET 1 capital. Investec Bank plc's CET 1 ratio would be 13bps (31 March 2018: 13bps) higher on this basis.*

Capital requirements

£'million	31 March 2019	1st April 2018	31 March 2018
Capital requirements	**1 170**	**1 101**	**1 099**
Credit risk	893	824	822
Equity risk	9	6	6
Counterparty credit risk	49	52	52
Credit valuation adjustment risk	6	10	10
Market risk	67	77	77
Operational risk	146	132	132
Risk-weighted assets (banking and trading)	**14 631**	**13 777**	**13 744**
Credit risk	11 174	10 304	10 271
Equity risk	115	79	79
Counterparty credit risk	611	652	652
Credit valuation adjustment risk	76	121	121
Market risk	833	965	965
Operational risk	1 822	1 656	1 656

Movement in RWAs

Total RWAs have increased by 6.5% over the period, predominantly within credit risk RWAs.

Credit risk RWAs

We have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, increased by £939 million. The increase is primarily driven by diversified growth across the corporate and retail portfolio coupled with continued mortgage loan growth.

Counterparty credit risk RWAs and CVA risk

Counterparty credit risk and CVA RWAs decreased by £86 million mainly due to increased equity options cleared through a central counterparty, which benefits from a lower risk weight.

Market risk RWAs

We apply the standardised approach for calculating market risk. Market risks RWAs decreased by £132 million primarily driven by equity market movements and hedging activities.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach and increased by £166 million. The increase is due to a higher three year average operating income.

Leverage

£'million	31 March 2019	1st April 2018	31 March 2018
Total exposure	23 849	21 335	21 335
Tier 1 capital	1 893	1 758	1 821
Leverage ratio* – current	7.9%	8.2%	8.5%
Total exposure fully loaded**	23 734	21 238	21 335
Tier 1 capital fully loaded**	1 816	1 713	1 821
Leverage ratio** – fully loaded	7.7%	8.1%	8.5%
Leverage ratio** – current UK leverage ratio framework^^^	10.0%	9.8%	10.2%

* *The leverage ratio is calculated on an end-quarter basis.*

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

^^^ *Investec Bank plc is not subject to the UK leverage ratio framework, however, due to 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.*

Movement in total regulatory capital

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

Total regulatory capital flow statement

£'million	31 March 2019	31 March 2018
Opening common equity tier 1 capital	1 621	1 552
Profit after taxation	159	98
IFRS 9 adjustment	(213)	–
Share-based payment adjustment	(2)	1
Movement in other comprehensive income	14	(10)
Dividends	(46)	(57)
Goodwill and intangible assets (deduction net of related taxation liability)	13	16
Deferred taxation that relies on future profitability (excluding those arising from temporary differences)	(4)	1
Deconsolidation of special purpose entities	(8)	3
Foreseeable charges and dividends	(1)	17
Other, including regulatory adjustments and transitional arrangements	110	–
Closing common equity tier 1 capital	**1 643**	**1 621**
Opening additional tier 1 capital	200	–
New additional tier 1 issuance	50	200
Closing additional tier 1 capital	250	200
Closing tier 1 capital	**1 893**	**1 821**
Opening tier 2 capital	445	560
New tier 2 capital issued	418	–
Redeemed capital	(267)	–
Amortisation adjustments	–	(115)
Closing tier 2 capital	**596**	**445**
Closing total regulatory capital	**2 489**	**2 266**

A summary of capital adequacy and leverage ratios

	31 March 2019*	1st April 2018	31 March 2018*
Common equity tier 1 (as reported)∞	11.2%	11.3%	11.8%
Common equity tier 1 (fully loaded)^^	10.8%	11.0%	11.8%
Tier 1 (as reported)∞	12.9%	12.8%	13.2%
Total capital ratio (as reported)∞	17.0%	16.0%	16.5%
Leverage ratio** – current	7.9%	8.2%	8.5%
Leverage ratio** – fully loaded^^	7.7%	8.1%	8.5%
Leverage ratio** – current UK leverage ratio framework^^^	10.0%	9.8%	10.2%

* *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 13bps (31 March 2018: 13bps) higher on this basis.*

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

^^ *Based on the group's understanding of current regulations, 'fully loaded' is based on CRR requirements as fully phased in by 2022, including full adoption of IFRS 9. As a result of the adoption of IFRS 9 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 31 March 2019 of £17.7 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.*

∞ *The reported CET 1, T1 and total capital ratios are calculated applying the IFRS 9 transitional arrangements.*

^^^ *Investec Bank plc is not subject to the UK leverage ratio framework, however, due to 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.*

CREDIT RATINGS

In terms of our dual listed companies structure, creditors are ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies. Capital and liquidity are prohibited from flowing between the two entities and thus capital and liquidity are not fungible. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the Investec group, namely Investec Bank plc and Investec Bank Limited. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. In February 2019, Investec Bank plc's long-term deposit rating was upgraded by Moody's to A1 (stable outlook) and Investec plc's ratings were affirmed at Baa1 (stable outlook) while taking into account the proposed Investec Asset Management demerger. In August 2018, Investec Bank plc's long-term deposit rating was affirmed by Fitch at BBB+ however in March 2019 Fitch placed Investec Bank plc along with nineteen other UK banks Rating outlooks on Rating Watch Negative following Fitch's decision to place the UK sovereign (AA) on Rating Watch Negative, as a result of heightened uncertainty over the outcome of the Brexit process, and an increased risk of a disruptive 'no-deal' Brexit. Our ratings at 13 June 2019 are as follows:

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

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

Internal Audit reports at each IBP, Investec Wealth & Investment and Investec plc Audit Committee meeting and has a direct reporting line to the respective chairs of these committees as well as dotted lines to the appropriate chief executive officers. For administrative purposes, the Investec plc head of Internal Audit also reports to the heads of corporate governance and compliance. The function operates independently of executive management, but has regular access to the Investec Bank plc, Investec Wealth & Investment and Investec group joint chief executive officers and to business unit executives. The function complies with the International Standards for the Professional Practice of Internal Auditing, and are subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The most recent independent QAR benchmarked the functions against the publication by the Chartered Institute for Internal Auditors entitled Effective Internal Audit in the Financial Services Sector, final report issued in January 2015. The next QAR review will take place during the 2019/20 financial year.

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

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The Audit Committees receive reports on significant control issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to the IBP, Investec Wealth & Investment and Investec plc Audit Committees. Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet an increasingly demanding corporate governance and regulatory environment. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec plc's diverse requirements, which are assessed annually by the audit committees with no adverse outcomes. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the IBP, Investec Wealth & Investment and Investec plc Audit Committees to ensure resourcing is appropriate, that the function operates independently and effectively, and appropriate succession planning is in place. Regulatory change continues to be a key challenge in the financial sector with global political events adding uncertainty as to the shape of the financial services regulation going forward. Global regulations remain focused on countering market abuse with heightened scrutiny and regulatory attention in this area, including sustained focus on the EU's strengthened Market Abuse Regime. This year, global regulators have continued to focus on promoting stability and resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct related forums. The bank remained focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in each of our jurisdictions. Our culture is central to our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

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

Regulatory change continues to be a key challenge in the financial sector with global political events adding uncertainty as to the shape of financial services regulation going forward.

Global regulators remain focused on countering market abuse with heightened scrutiny and regulatory attention in this area, including sustained focus on the EU's strengthened Market Abuse Regime.

This year, global regulators have continued to focus on promoting stability and resilience in financial markets, with sustained emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct related reforms.

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

Year in review

Conduct risk

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

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

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

Consumer protection

The FCA has maintained its ongoing commitment to creating a fair, transparent and well-functioning financial services market for all consumers. It has focused on consumer vulnerability and access to the financial services, which is now a core part of the FCA's work and supervisory approach. Over the period this has included issuing of fines and performing continued strategic reviews into areas such as: culture and governance, retail banking, consumer credit, retail investments and cryptocurrencies.

Wholesale markets

The FCA continues a proactive and assertive approach, in identifying and addressing risks arising from firm's conduct in the wholesale markets.

This has included an increasingly intensive approach to supervisory activities and thematic reviews as well as several high profile referrals to enforcement.

Financial crime

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

Brexit

On 29 March 2017, the UK government invoked Article 50 of the Treaty on the European Union starting the process for the UK to leave the European Union (EU) on 29 March 2019.

The details of a Brexit agreement between the EU and the UK and is still subject to material uncertainty. As such, during the period, the bank dedicated resources to ensuring that we have robust contingency plans in place to maintain access to EU clients and markets in the event of Brexit.

Tax reporting (FATCA/CRS)

The Foreign Account Tax Compliance Act (FATCA) aims to promote cross-border tax compliance by implementing an international standard for the automatic exchange of tax information relating to US investors. The provisions call on tax authorities all over the world to obtain detailed account information from financial institutions relating to US investors and exchange that information automatically with the United States Internal Revenue Service on an annual basis. Australia, Channel Islands, Ireland, India, Hong Kong, Luxembourg, Singapore and the UK have entered into intergovernmental agreements with the USA and each has enacted local law/regulation to implement FATCA. Separately, the intergovernmental agreement between the USA and Switzerland requires Swiss financial institutions to report to the US tax authorities (IRS).

The OECD has recently taken further steps to improve global cross-border tax compliance by releasing the Common Reporting Standard (CRS). The CRS is a set of global standards for the annual exchange of financial information by financial institutions pertaining to customers, to the tax authorities of the jurisdictions in which those customers are resident for tax purposes.

CRS took effect on 1 January 2016 in India, Hong Kong, Ireland, the Channel Islands, Luxembourg and the UK with reporting commencing from 2017. For Australia and Switzerland, CRS took effect from 1 January 2017 with reporting commencing from 2018 for individuals only. The reporting for entities will commence in 2019. The bank is currently compliant with its obligations under FATCA and CRS.

Chairman's introduction

I am pleased to present the annual report for the year ended 31 March 2019, which describes our approach to corporate governance.

Investec Bank plc is the UK based and regulated banking subsidiary of Investec plc. Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed companies (DLC) structure. The DLC board is responsible for statutory matters and corporate governance for the Investec group, and sets the standards for the subsidiaries of the Investec group. The bank board is responsible for the statutory matters and corporate governance for the bank, and ensures compliance with applicable legislation and governance requirements of the jurisdictions within which the bank operates. Stakeholders are therefore encouraged to also read the corporate governance report as contained in Investec group's 2019 integrated annual report.

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

The past year in focus

Management and board succession

As identified in the previous annual report, I was appointed chairman of the board on 15 May 2018, with Fani Titi stepping down as chairman on the same date. Fani has subsequently been appointed joint chief executive officer of the Investec group, and continues to provide the key linkage between the bank and the Investec group, in his role as an executive on both the bank board and Investec group's boards.

During the year, the composition of the bank board has continued to evolve, with Stephen Koseff and Bernard Kantor stepping down as executive directors, as a result of the announced succession changes to the Investec group's senior management, and the appointments of Lesley Watkins and Paul Seward as independent non-executive directors.

We are immensely thankful to both Stephen and Bernard for their exemplary service, dedication and commitment to the bank since its formation.

Lesley has bolstered the board of the bank, with her extensive financial experience, strategic acumen and audit expertise. We are confident that her appointment to the board and, in particular, her appointment as chair of the IBP Audit Committee, will help to further reinforce the boards' oversight of audit matters.

Paul has also strengthened the board's independent governance, with his significant risk experience, commercial acumen and banking knowledge. We are confident that his appointment to the board and his appointment as chairman of the newly established IBP BRCC, will assist in the board's review of the bank's risk management activities.

In August 2019, Haruko Fukuda will be stepping down from the board. We are extraordinarily grateful to Haruko for her insights, benefaction and steadfast commitment to the board over the past seven years, and to the Investec group before then. We wish Haruko all the best in her future endeavours.

As announced on 14 September 2018, following a strategic review, the Investec group announced the proposed demerger and separate listing of the Investec Asset Management business. The demerger and separate listing of Investec Asset Management is subject to regulatory and shareholder approvals, and is expected to be completed in the second half of 2019. Further details as to the demerger and separate listing of Investec Asset Management can be found in Investec group's 2019 integrated annual report.

Subject to regulatory and shareholder approvals for the proposed demerger and separate listing of Investec Asset Management, David van der Walt will become Investec group CRO, leaving his role as chief executive officer (CEO) of the bank. Subject to regulatory approvals, Ruth Leas will become CEO of the bank. Chris Meyer, head of Corporate and Investment Bank, and Ryan Tholet, head of Private Bank, will join the board of the bank as managing directors, whilst maintaining their current roles. Ruth, Chris and Ryan will work as a close team in respect of strategy, implementation and client focus. Kevin McKenna will replace Ruth as the CRO of the bank, and Alistair Stuart will replace Kevin as COO of the bank and join the board.

Ian Wohlman will stand down from the board and, going forward, chair a number of subsidiary boards and audit committees. We express our heartfelt thanks and appreciation to Ian for his 27 years of exceptional service with Investec to date.

Governance

A key focus during the year has been the implementation of the bank's new governance arrangements. The establishment of the bank's Board Risk and Capital Committee during the year, and the subsequent formation of the bank's Remuneration Committee will further strengthen our existing governance processes and make for more effective and robust decision-making.

Diversity

The board is committed to attracting, developing and retaining the best talent and at the date of this annual report, we are pleased to report that there are five female board members, providing a 38% female representation on the board.

A diverse workforce is vital to our ability to be a responsive organisation that is able to adapt and prosper in a fast changing world. To help us measure the pace of change, we have set a number of goals and targets. The Investec group has signed up to the 30% Club promoting female board representation. Our UK employing entities have adopted their own specific targets in order to reinforce our commitment to gender diversity. The board is cognisant of the recommendations of the Hampton-Alexander Review in regards to female representation on the board. The bank has adopted a board diversity policy, and has signed the Women in Finance Charter and in doing so has committed to: having a senior executive team member responsible for diversity and inclusion; meeting set targets for diversity; publishing progress reports annually; and linking pay of senior executives to delivery of these targets. Having a diverse board is and remains important to the bank bringing as it does the clear benefits of distinct and different outlooks, alternative viewpoints, and mind-sets able to challenge the status quo.

Culture

During the year the board has commissioned two culture related projects. The first is designed to ensure the board has sufficient 'line of sight' in relation to cultural development and the second is to carry out workshops with our staff to ensure that our cultural values are truly embedded in our business.

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

Economic context

Political and economic uncertainty continues in the UK, and in our overseas operations, impacting on corporate and consumer confidence. The past year has also been characterised by the fast pace of regulatory, legal and accounting changes and the bank has invested significant resources in order to ensure it can continue to meet customer, regulatory and statutory expectations.

Strategy

The board has continued to exercise leadership, integrity and judgment in pursuit of the bank's strategic goals and objectives. We have evolved our business model and are strategically well positioned.

Client focus is one of our core values, and in the UK, over the past year, we have continued to ensure that the bank is governed in a manner that places the needs of our clients front and centre of everything we do.

The Corporate and Investment Bank restructured and simplified its operations to focus on two defined client segments, resulting in two key businesses: Corporate Banking and Investment Banking. The business achieved good loan book growth, diversified across asset class, as well as a number of significant transactions from the corporate advisory business.

In terms of investment activities, the group has shifted its focus to co-investment alongside clients to fund investment opportunities and will manage the equity investment portfolio accordingly.

The Private Bank has completed its formal investment programme, and is now well placed to realise the benefits of increased scale. As part of its investment programme, the Private Bank has implemented an integrated customer relationship management system, improving the effectiveness of our client engagement. The recent launch of the private capital offering within Private Bank has proved successful in providing our high net worth clients looking to grow their wealth in commercial activities with an investment banking service.

Board effectiveness

The board continues to be committed to regularly evaluating its own effectiveness and that of its committees. The board therefore undertakes an evaluation of its performance and that of its committees and individual directors annually. This year an independent board effectiveness review was conducted by Professor Robert Goffee. Overall, it was considered to be an improvement from the previous externally facilitated board effectiveness review. Further details in regards to the 2018 board effectiveness review may be found in the IBP Nomination Committee report.

The year ahead

The embedding of the enhanced governance structure of the bank will continue to be a key area of focus in the coming year, with a view to ensuring that the membership of the principal board committees is fully embedded and operates effectively.

The advancement of the board's stakeholder engagement, in particular that of workforce engagement, will be a key consideration as the year progresses. We have initiated the board's plan for increased interaction with the workforce, which is being led by Moni Mannings, the bank's senior independent director. A comprehensive description will be provided in next year's annual report.

The board will take a more targeted view of the bank's culture and values, in particular as a result of the succession changes to the Investec group management that have taken place and the demerger of Investec Asset Managementfrom the Investec group.

We will continue to monitor the UK political environment, specifically Brexit, with the enactment of the bank's preparatory plans, and deliberation as to the opportunities that may become available to the bank, with an increased focus placed on the board's assessment of the bank's post Brexit strategy.

The areas of focus, in line with Investec group, will be an emphasis on cost efficiency, return on equity and sustainable outcomes.

Conclusion

We believe that the governance arrangements the board have put in place for the bank will continue to create an environment that supports the delivery of excellent results and exceptional value for all our stakeholders.

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

Brian Stevenson

Chairman

13 June 2019

Within this report you will find:

Director biographies

Biographies of our current and former directors during the year are outlined below, including their relevant skills and experience, and other principal appointments for the year under review:

Zarina BM Bassa

Independent non-executive director

Age: 55
Qualifications: *BAcc, DipAcc, CA(SA)*

Relevant skills and experience

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

Other principal appointments

Investec plc, Investec Limited, Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited, the JSE Limited, Investec Bank Limited, Investec Life Limited and Investec Bank (Mauritius) Limited.

Committees

IBP Audit Committee

Date of appointment
1 April 2017

*Perry KO Crosthwaite**

Former independent non-executive director

Age: 70
Qualifications: *MA (Hons) (Oxon) in modern languages*

Relevant skills and experience

Perry was appointed chairman of Investec plc and Investec Limited on 15 May 2018. Perry was previously senior independent director of Investec plc and Investec Limited, a post he had held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004. Perry has financial expertise gained through a distinguished career in investment banking with over 30 years of experience as a director in the city of London. Perry served as a non-executive director of Melrose Industries plc from July 2005 to May 2016, and was a founding director of Henderson Crosthwaite Institutional Brokers Limited, serving as its director from 1986 to 1998

Other principal appointments

Investec plc, Investec Limited, Jupiter Green Investment Trust (chairman) and Nordoff-Robbins Music Therapy

Committees

IBP Nomination Committee

Date of appointment
10 November 2010

* *Resigned from the board on 15 May 2018*

David Friedland

Independent non-executive director

Age: 66
Qualifications: *BCom, CA(SA)*

Relevant skills and experience

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office before leaving in March 2013

Other principal appointments

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

Committees

IBP BRCC

Date of appointment
1 March 2013

Haruko Fukuda OBE

Independent non-executive director

Age: 72
Qualifications: *OBE, MA (Cantab), DSc, FSCI*

Relevant skills and experience

Haruko has been involved in global economics and investment for over 40 years and has written published books on international trade policy. She was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. Prior to this, Haruko was a partner at James Capel & Co, an international securities firm bought by HSBC, for 14 years, before spending 10 years as vice-chairman and board member of Nikko Europe plc. Haruko has held a number of noteworthy positions, including as chairman of Caliber Global Investments Limited, and as a director of AB Volvo, Foreign and Colonial Investment Trust plc, and Govett European Technology and Income Trust plc

Other principal appointments

Glint Pay Limited, Aberdeen Standard Asia Focus Investment Trust plc and Global Resources Investment Trust plc

Committees

IBP Audit Committee, IBP BRCC, IBP Nomination Committee and IBP Remuneration Committee

Date of appointment
3 December 2012

*Bernard Kantor**

Former executive director

Age: 69
Qualifications: *CTA*

Relevant skills and experience

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the trading division, marketing manager and chief operating officer. Bernard resigned as managing director of Investec plc and Investec Limited on 30 September 2018

Other principal appointments

Investec plc, Investec Limited, Phumelela Gaming and Leisure Limited (chairman), IEP Group Proprietary Limited and a number of Investec group subsidiaries

Date of appointment
16 November 1992

* *Resigned from the board on 30 January 2019*

*Stephen Koseff**

Former executive director

Age: 67
Qualifications: *BCom, CA(SA), HDip BDP, MBA*

Relevant skills and experience

Stephen joined Investec in 1980. He has diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking. Stephen has also been appointed as chair of Bid Corporation with effect from 31 March 2018. Stephen resigned as chief executive officer of Investec plc and Investec Limited on 30 September 2018

Other principal appointments

Investec plc, Investec Limited, Bid Corporation Limited (chairman), IEP Group Proprietary Limited and a number of Investec group subsidiaries

Date of appointment
16 November 1992

* *Resigned from the board on 30 January 2019*

Ruth Leas

Chief risk officer

Age: 47
Qualifications: *BA (cum laude), Hons (Economics), MPhil (Cantab)*

Relevant skills and experience

Ruth is chief risk officer for Investec Bank plc, responsible for all aspects of financial risk including credit risk, market risk, and asset and liability risk. Ruth also has primary responsibility for running the rating agency relationships for Investec in the UK. Ruth has worked within the Investec group since 1998, first in South Africa at Investec Bank Limited in financial products. Since 2002, Ruth has been based at Investec in the UK. Prior to her employment at Investec, Ruth was treasury economist for Gencor SA Limited. Ruth holds an MPhil degree from Cambridge University, England, and a BA (cum laude) Hons Economics from the University of Witwatersrand, South Africa

Date of appointment
27 July 2016

Moni Mannings

Senior independent non-executive director (SID)

Age: 56
Qualifications: *LLB*

Relevant skills and experience

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

Other principal appointments

Polypipe Group plc and Barnardo's

Committees

IBP Audit Committee, IBP BRCC, IBP Nomination Committee and IBP Remuneration Committee

Date of appointment
27 July 2016

Kevin P McKenna

Chief operating officer

Age: 52
Qualifications: *BCom, BAcc, CA(SA)*

Relevant skills and experience

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

Date of appointment
10 May 2012

Paul K Seward

Independent non-executive director

Age: 63
Qualifications: *BSc mathematics (Hons)*

Relevant skills and experience

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

Other principal appointments

Axis Bank UK Limited and HSBC Life (UK) Limited

Committees

IBP Audit Committee and IBP BRCC (chairman)

Date of appointment
1 April 2019

Brian D Stevenson

Chairman

Age: 65

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

Relevant skills and experience

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

Other principal appointments

Westpac Europe Limited

Committees

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

Date of appointment
14 September 2016

Fani Titi

Executive director

Age: 57

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

Relevant skills and experience

Fani Titi has been a member of the boards of Investec Limited and Investec plc since January 2004 and has been non-executive chairman of Investec Limited and Investec plc from November 2011. He has also been a member of the Investec Bank Limited board from July 2002. He has been a member of the Investec Bank plc board from August 2011. He has served on the board of Investec Asset Management from November 2013. Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience and has sat on the boards of different investee companies and JSE listed companies. Fani has also joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD). Fani became joint chief executive officer of Investec group on 1 October 2018

Other principal appointments

Investec plc, Investec Limited, Investec Bank Limited and several Investec group subsidiaries

Date of appointment
3 August 2011

David M van der Walt

Chief executive officer

Age: 54
Qualifications: *BCom (Hons), CA(SA)*

Relevant skills and experience

David is chief executive officer of the bank and joined Investec in 1994. Since joining Investec, David has held a number of positions within the Investec group both in South Africa and the UK. In July 2004, David was appointed global head of corporate and institutional banking with responsibility for the business unit across all geographies before being appointed joint CEO of the bank in February 2010. David is a graduate of University of Witwatersrand with a Bachelor of Commerce (Hons) in Accounting and is a qualified chartered accountant

Date of appointment
5 February 2003

Lesley Watkins

Independent non-executive director

Age: 60
Qualifications: *BSc (Hons) mathematics, FCA*

Relevant skills and experience

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

Other principal appointments

Braemar Shipping Services plc

Committees

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

Date of appointment
13 November 2018

James KC Whelan

Executive director

Age: 56
Qualifications: *FCA (Irish), HDip Tax (South Africa)*

Relevant skills and experience

James, known as Ciaran, joined Investec in 1988. He has had varied experience within Investec, including chief executive officer of Investec Bank Australia Limited and the global head of Investec Private Bank. Prior to joining Investec, Ciaran was an audit manager at KPMG Inc., having completed his articles at Coopers & Lybrand

Date of appointment
14 April 2016

Ian R Wohlman

Head of conduct and governance

Age: 63
Qualifications: *ACIB*

Relevant skills and experience

Ian has been with Investec in the UK since 1991. Prior to that he held a varied number of senior appointments within firms based within the City of London. He holds a number of executive appointments within Investec and has been a director of Investec Bank plc since 1999. Main responsibilities are Governance, Compliance, Conduct and the bank's material subsidiaries

Date of appointment
23 June 1999

Who we are

Governance framework

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

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

Investec Wealth & Investment Limited, an FCA regulated subsidiary of the bank, maintains an independent governance structure, comprising an independent board, Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee. The membership of the Investec Wealth & Investment board includes both executive and non-executive directors. The Investec Wealth & Investment board and the Investec Wealth & Investment board committees report to the DLC board and the DLC board committees. Any matters relevant to Investec Bank plc are communicated to the bank, in part, through having one or more directors of Investec group as members of the board committees of the bank.

The governance structure of the bank has continued to evolve in the financial year ended 31 March 2019, with the addition of a bank Board Risk and Capital Committee, to assume responsibilities that had previously been delegated to the DLC BRCC, and the approval for the establishment of a bank Remuneration Committee, to assume responsibilities that had previously been delegated to the DLC Remuneration Committee.

The IBP BRCC was established in January 2019, whilst the IBP Remuneration Committee was constituted shortly after the financial year end, with the inaugural meeting taking place in May 2019.

As identified in the chairman's statement, on his appointment as an independent non-executive director of the board, Paul Seward, in light of his extensive risk experience and knowledge, was appointed chairman of the IBP BRCC. Whilst Moni Mannings, the bank's senior independent director, was appointed as chairman of the IBP Remuneration Committee, subject to regulatory approval, due to her previous experience and understanding of remuneration matters.

Further details in regards to the IBP BRCC may be found in the respective report on pages 112 to 115, and further information in relation to the IBP Remuneration Committee may be found in the remuneration report on pages 117 to 136.

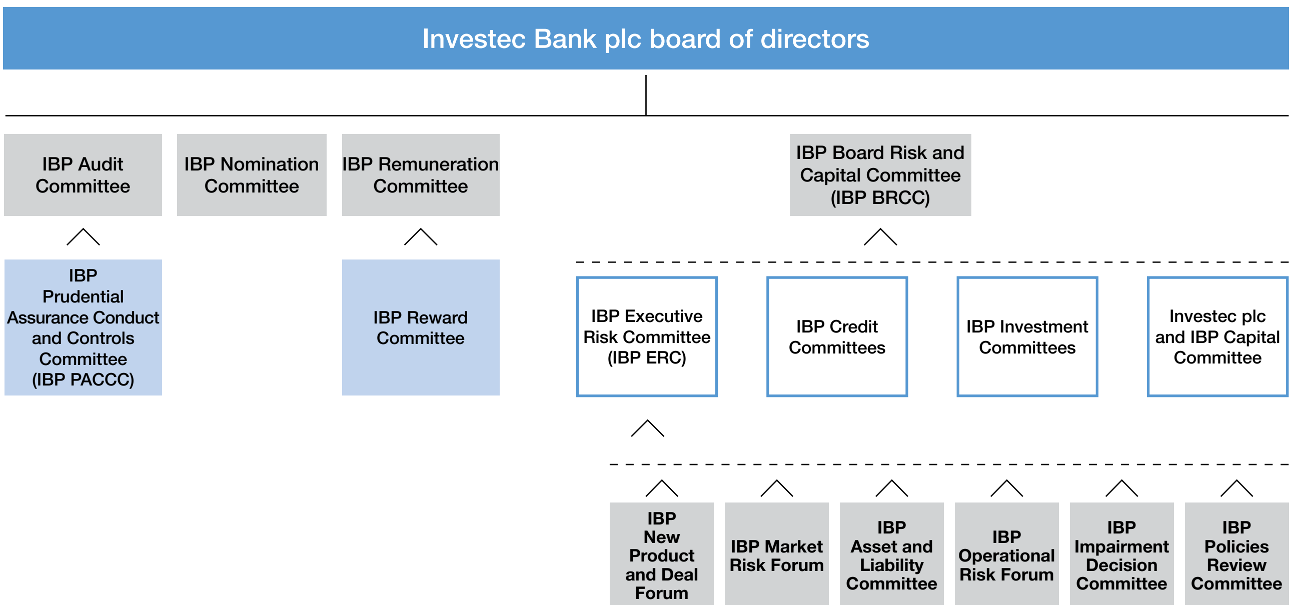
As a result of the changes to the governance structure of the bank during the year, there have been a number of changes made to the bank's governance framework, to ensure that reporting lines accurately reflect the responsibilities of the respective committees. The interplay between the IBP Audit Committee and the IBP BRCC, in particular, was a key consideration in the revisions made to the bank's governance framework.

The Investec plc and IBP Capital Committee, acts as the Capital Committee for both Investec plc and the bank, reporting matters specifically related to Investec plc to the DLC BRCC and DLC Capital Committee and matters specific to the bank to the IBP BRCC.

The bank will continue to refine its governance structure, to ensure that it continues to operate with an appropriate level of independence and autonomy, within the context of the wider Investec group.

The governance framework from a bank perspective is detailed below.

Details of the governance framework of the Investec group can be found in Investec group's 2019 integrated annual report.



Board roles

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

Chairman	*Chief executive officer*	*Chief risk officer*
• Responsible for setting the board agenda, ensuring that there is sufficient time available for the discussion of all items • Encourage open and honest dialogue between all board directors • Lead and manage the dynamics of the board, providing direction and focus • Ensure that the board sets the strategy of the bank and assists in monitoring progress towards achieving the strategy • Ensure that the board sets the tone from the top, in regards to culture • Perform director evaluations • Serve as the senior interface with UK regulators and Investec plc on behalf of the board	• Lead and manage the bank within the authorities delegated by the board • Execute of the bank's strategy • Ensure the bank's unique culture is embedded and perpetuated • Develop and growth of all the bank's businesses	• Ensure that the bank's risk management, conduct and governance processes are effective • Provide the board with updates on the bank's risk management, conduct and governance processes • Oversee of subsidiary companies with bank policies and governance requirements • Manage the bank's risk appetite

Senior independent director	*Non-executive directors*	*Company secretary*
• Address any concerns or questions from non-executive directors • Provide a sounding board to the chairman • Lead the board in the assessment of the effectiveness of the chairman, or the relationship between the chairman and the chief executive officer • Available to act as trusted intermediary for non-executive directors if required to assist them to challenge and contribute effectively	• Bring unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenge and contribute to assist in developing the bank's strategy • Monitor the performance of management against their agreed strategic goals • Ensure the effectiveness of internal controls and the integrity of financial reporting • Contribute to board effectiveness through outside contacts and opinions • Review succession planning • Oversee of risk management	• Maintain the flow of information to the board and its committees and ensures compliance with board procedures • Minute all board and committee meetings to record the deliberations and decisions taken therein • Ensure that the board complies with relevant legislation and regulation, including Listings Requirements • Maintain the company's statutory registers • Ensure good corporate governance is implemented and advises the chairman and the board in that regard

Board composition

Membership

At the date of this annual report, the board comprised six executive directors and seven non-executive directors, including the chairman.

As identified in the previous annual report, Fani Titi stood down as chairman of the board with effect from 15 May 2018, and Brian Stevenson was appointed as chairman of the board on the same date. Following Brian's appointment as chairman of the board, Moni Mannings was appointed to the role of senior independent director.

Further changes to the board that have occurred during the year, include the addition of two independent non-executive directors, with the appointment of Lesley Watkins as chairman of the IBP Audit Committee and Paul Seward as chairman of the newly formed IBP BRCC, and the departure of two executive directors, with Bernard Kantor and Stephen Koseff stepping down from the board, in accordance with the management succession plan of the Investec group.

As identified in the chairman's letter, Haruko Fukuda will be stepping down from the board in August 2019.

The board, with the assistance of the IBP Nomination Committee, will continue to review and monitor the composition of the board, with particular regard to the breadth of skills, knowledge, experience and diversity of the members.

As identified in the chairman's statement, subject to regulatory and shareholder approvals for the proposed demerger and separate listing of Investec Asset Management, David van der Walt will become Investec group CRO, leaving his role as chief executive officer (CEO) of the bank. Subject to regulatory approvals, Ruth Leas will become CEO of the bank. Chris Meyer, head of Corporate and Investment Bank, and Ryan Tholet, head of Private Bank, will join the board of the bank as managing directors, whilst maintaining their current roles. Kevin McKenna will replace Ruth as the CRO of the bank, and Alistair Stuart will replace Kevin as COO of the bank and join the board. Ian Wohlman will stand down from the board.

The names of the directors during the year and at the date of this annual report, and the dates of their appointments are set out in the table on page 101.

Further information in regards to the bank's management and board succession plan may be found in the IBP Nomination Committee report on pages 103 to 105.

Further details in relation to the Investec group management and board succession plan may be found in Investec group's 2019 integrated annual report.

Independence

Whilst Investec Bank plc is not a premium listed equity issuer and is therefore not required to comply with the UK Corporate Governance Code (the code), the board seeks to ensure that its practices are aligned with principles of good governance. The board therefore considers the guidance set out in the code when considering the independence of the non-executive directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge, is a fundamental component of how the board operates. The IBP Nomination Committee, which has been delegated the responsibility of reviewing the directors' independence by the board, considers all relevant circumstances in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the executive board members.

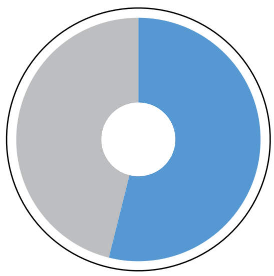
The board, at the recommendation of the IBP Nomination Committee, believes that it functions effectively and that all the non-executive directors are independent of management and promote the interest of stakeholders. The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the chairman, Brian Stevenson, was independent on appointment. Prior to becoming chairman, Brian Stevenson was the senior independent director of the board.

Balance of non-executive and executive directors

Independent non-executives including chairman	**7**
Executives	**6**

54% **of board independent**



Tenure

The IBP Nomination Committee considers tenure when examining independence, and when considering the composition of the board as a whole. The IBP Nomination Committee is mindful that there needs to be a balance resulting from the benefits brought on board by new independent directors, versus retaining individuals with valuable skills, knowledge and experience, and an understanding of the bank's unique culture.

The board follows a thorough process of assessing independence on an annual basis for each director whose tenure exceeds nine years.

The board agreed that Haruko Fukuda would step down from the board in August 2019, in light of her tenure as a director of the board, and preceding this, as a director of the Investec group boards.

The board does not believe that tenure of any of the current non-executive directors interferes with their independence of judgement and ability to act in the bank's best interest.

Diversity

In considering the composition of the board, we are mindful of all aspects of diversity, including gender, race, skills, experience and knowledge.

At the bank, we embrace differences as a strength within our company. Having a diverse board is a clear benefit, bringing with it distinct and different outlooks, alternative viewpoints, and challenging mindsets.

The bank has adopted a board diversity policy, and has signed the Women in Finance Charter, which commits the bank to support the progression of women into senior roles through focusing on the executive pipeline and mid-tier level.

At the date of this annual report, we are pleased to report that there are five female board members, providing a 38% female representation on the board.

Skills, knowledge and experience

The board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities and the range of our activities.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member.

We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties.

On the recommendation of the IBP Nomination Committee, non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

Independent advice

Through the chairman or the company secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the bank. No such advice was sought during the 2019 financial year.

Conflicts of interest

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 (the Act). In accordance with the Act and the articles of association (the articles), the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the articles that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Company secretary

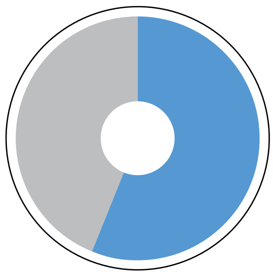
David Miller is the company secretary of the bank. The company secretary is professionally qualified and has gained experience over a number of years. His services are evaluated by board members during the annual board effectiveness review. He is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretary whose appointment and removal is a board matter.

Diversity

Age:

40 – 50	**8%**
51 – 60	**58%**
61 and above	**34%**

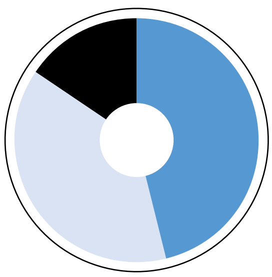
Board gender balance:



62%	Male
38%	Female

Tenure

Average tenure:



6	0 – 3 years
0	3 – 6 years
5	6 – 9 years
2	9 years plus

What we did

Board report

Role and responsibilities

The board seeks to exercise ethical leadership, integrity, effective control and legitimacy in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of the bank. It provides leadership for the bank within a framework of prudent and effective controls which allows risks to be assessed and managed.

The board meets its objectives by reviewing and approving the bank's strategy, setting the values and standards which shape the bank's culture, developing and supporting staff, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its stakeholders are understood and met, assessing the bank's capital requirements, understanding the key risks it faces, determining its risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities.

The board operates within the group's governance framework and is accountable for the performance and affairs of the bank. The board meets its objectives by reviewing and implementing corporate strategy determined in conjunction with the group.

The board has defined the limits of delegated authority within the bank. The board is responsible for assessing and managing risk policies and philosophies, ensuring appropriate internal controls, overseeing major capital expenditure, acquisitions and disposals, approving the establishment of businesses and approving the introduction of new products and services. In fulfilling its responsibilities, the board together with management implements the plans and strategies of the bank.

For further detail of the functions of the board of the bank, as included with the functions of the boards of Investec plc and Investec Limited, performed directly or through board committees, refer to Investec group's 2019 integrated annual report.

Composition and meetings

The board of Investec Bank plc met six times during the financial year. The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of each meeting.

Members	Independent	Board member since	Meetings attended/ eligible to attend
Brian Stevenson (chairman)	On appointment	14 Sep 2016	6/6
Zarina Bassa	Yes	1 Apr 2017	6/6
Perry KO Crosthwaite*	Yes	10 Nov 2010	1/1
David Friedland	Yes	1 Mar 2013	6/6
Haruko Fukuda OBE	Yes	3 Dec 2012	6/6
Bernard Kantor**	Executive	16 Nov 1992	5/5
Stephen Koseff**	Executive	16 Nov 1992	5/5
Ruth Leas	Executive	27 Jul 2016	6/6
Moni Mannings	Yes	27 Jul 2016	6/6
Kevin P McKenna	Executive	10 May 2012	6/6
Paul Seward	Yes	1 Apr 2019	–
Fani Titi	Executive	3 Aug 2011	6/6
David M van der Walt	Executive	5 Feb 2002	6/6
Lesley Watkins	Yes	13 Nov 2018	3/3
James KC Whelan	Executive	14 Apr 2016	5/6
Ian R Wohlman	Executive	23 Jun 1999	4/6

* *Perry resigned as a director of the bank on 15 May 2018.*
** *Bernard and Stephen resigned as directors of the bank on 30 January 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have opportunity to provide comments to the chairman of the board, or the relevant committee chairman.*

How the board spent its time

Strategy formulation and monitoring of implementation	Finance and operations (including monitoring performance, capital and liquidity)	Governance, culture, regulatory interactions, compliance and risk	Other
25%	30%	30%	5%

Key matters deliberated by our board

In addition to the standard and regular agenda items, such as report-backs from each board committee and comprehensive reports from the chief executive officer, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during 2018/2019:

Board activities

Area of focus	What we did
Strategy	• considered the strategy as developed and proposed by management for the bank • monitored the implementation of the bank's strategy • monitored management activity and performance against targets • provided constructive challenge to management • approved the budget of the bank
Governance, culture regulatory interactions, compliance and risk	• received and reviewed conduct reports • considered matters related to the interactions held with the regulators • confirmed that the bank meets all internal and regulatory requirements • received and reviewed reports from the IBP Audit Committee and IBP BRCC • approved the risk appetite of the bank • considered and approved the capital plans of the bank • approved the recovery and resolution plan for the UK • considered and confirmed the independence of non-executive directors giving regard to factors that might impact their independence • considered the directors' contribution at board meetings and whether they in fact demonstrated independent challenge • considered and enhanced the board's oversight of the bank's culture • commissioned two culture related projects • monitored the implementation of the bank's new governance structure • ensured that the bank had a robust governance structure in place • ensured that conduct issues were appropriately addressed • considered the remuneration policy statement
Leadership	• ensured that the policies and behaviours set at board level were effectively communicated and implemented across the bank • received and reviewed reports from the IBP Nomination Committee • considered matters relating to board succession and approved appointments to the board and board committees
Effectiveness	• considered the process for the board effectiveness review • reviewed the recommendations of the board effectiveness review • implemented the recommendations of the board effectiveness review • finalised topics for directors' development sessions
Financial results, liquidity and solvency	• reviewed and approved the financial results for the half year ended 30 September 2018 for the bank • reviewed and approved the financial results for the year ended 31 March 2019 for the bank • confirmed that the bank was liquid and that the solvency and liquidity test had been satisfied • confirmed that adequate resources existed to support the bank on a going concern basis and accordingly adopted the going concern concept
Directors' development	• prepared for compliance with the Internal Liquidity Adequacy Assessment Process • considered the Contingency Funding Plan • prepared for compliance with the Internal Capital Adequacy Assessment Process • discussed the Investec Inspire programme • reviewed the bank's operational resilience • considered the requirements for directors in regards to conflicts of interest • received an update in relation to legal privilege
Terms of reference and policies	• reviewed and received regular updates in respect of the various committees' terms of reference and policies within the bank

IBP Nomination Committee report

I am pleased to present you with the report of the IBP Nomination Committee. The IBP Nomination Committee was established during 2017 as an independent committee of the bank. We believe that this change has helped to strengthen the independent oversight of the composition and key governance arrangements of the board and the board committees.

The major processes of the committee are designed to ensure that the board and senior management are composed of a talented and diverse range of people, aligned with the bank's culture and values, with the collective skills and experience that are necessary for the bank to meet its objectives and strategic goals. This is essential for the effective governance of the bank and the successful running of our business.

As identified in the previous annual report and accounts, the chief areas of focus for the committee in the year in question, have been the recruitment and appointment of new independent non-executive directors, the composition of the board and the principal board committees, in particular, for the recently established independent bank Board Risk and Capital Committee and Remuneration Committee, and the effectiveness of the work performed by the board.

Please refer to the report on the following pages for details of all of the material matters considered by the committee in the last year.

Committee performance

The performance of the committee was assessed by Professor Robert Goffee, an independent, external corporate governance consultant, as part of the annual effectiveness review of the board of Investec Bank plc. The results show that the committee was considered to be functioning well. It was determined, however, that a greater connection between the committee and the DLC Nomination and Directors' Affairs Committee (DLC Nomdac) would be beneficial, particularly in regards to the consideration of potential future board appointments. It was, therefore, agreed that Perry Crosthwaite, chairman of the Investec group boards and the DLC Nomdac be appointed a member of the committee. You can read more about the outcomes of the board effectiveness review on page 105.

Looking ahead

In 2019/2020, as the UK regulatory environment continues to evolve, the committee will continue to monitor the composition and the effectiveness of the directors, to ensure that the board and the principal board committees are suitably positioned to meet these changes both in the UK and where we operate overseas. In considering the composition of the board, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge. The committee will also adopt a more focused evaluation of the bank's culture and values, in light of the changes to management at an Investec group level. In addition, the committee will undertake a review of the conflicts of interest policy.

Brian Stevenson
Chairman, IBP Nomination Committee
13 June 2019

The board is committed to attracting, developing and retaining the best talent

IBP Nomination Committee

Brian Stevenson
Chairman of the Investec Bank plc Nomination Committee

Key areas of focus in FY 2019

- Recruitment and appointment of Lesley Watkins as an independent non-executive director
- Recruitment and appointment of Paul Seward as an independent non-executive director
- Review of the board experience/skills matrix
- Consideration of the annual effectiveness review
- Review of the composition of the board and the principal board committees

Areas of focus in FY 2020

- Review of the conflict of interest policy
- Evaluation of the Investec culture and values
- Review of the composition of the board and the principal board committees
- Review of succession planning
- Review of diversity performance

Role and responsibilities

The IBP Nomination Committee is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- supporting and advising the board in ensuring that it is composed of individuals who are best able to discharge the duties and responsibilities of directors
- evaluating the balance of skills, experience, independence, knowledge and diversity, on the board
- ensuring that appointments and succession plans are based on merit and with regard to objective criteria and, within this context, promoting diversity in its broadest sense, including diversity of gender, social and ethnic background, cognitive and personal strengths
- agreeing the annual board performance evaluation process and considering its effectiveness

Composition and meetings

The committee is composed of a majority of independent non-executive directors, with membership designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the committee.

Prior to the establishment of the IBP Nomination Committee in 2017, the board had mandated authority to the DLC Nomdac. To support the linkage between the committee and the DLC Nomdac, it was therefore determined that Perry Crosthwaite, chairman of Investec group and the DLC Nomdac be appointed a member of the committee.

During the financial year ended 31 March 2019, the IBP Nomination Committee met seven times and the chart below shows how it allocated its time. Attendance by members at committee meetings is shown below.

	(seven meetings in the year)
Members	**Meetings attended/eligible to attend**
Brian Stevenson (chairman)	7/7
Perry Crosthwaite*	–
Haruko Fukuda	6/7
Moni Mannings	6/7

* *Perry was appointed a member of the committee on 13 March 2019.*

^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How the committee spent its time

Composition of boards and committees	Board effectiveness
70%	30%

How the IBP Nomination Committee works

The significant matters addressed by the committee during the financial year ended 31 March 2019 are described below.

Area of focus	*What we did*
Board and board committee composition • the membership of the board, and the current and future composition of the board and its committees	• discussed the key skills and experience needed on the board in the context of future strategic direction and structural reform, including any areas requiring strengthening from a skills and succession perspective • the committee concluded that the skills, knowledge and experience of the directors as a whole were appropriate for their responsibilities and our activities • conducted the search for an independent non-executive director with the relevant skills and experience required for an IBP Audit Committee chair • the committee recommended the appointment of Lesley Watkins, as an independent non-executive director and chair of the Audit Committee, to the board • conducted the search for an independent non-executive director with the relevant skills and experience required for a risk committee chair • the committee recommended the appointment of Paul Seward, as an independent non-executive director and chairman of the IBP BRCC, to the board • reviewed the membership, size and composition of the principal board committees • considered the board suitability policy • the committee agreed a number of changes to the composition of the principal board committees • the committee approved the board suitability policy
Succession planning • succession planning at the board and executive management level	• considered the non-executive director succession plan • the committee reviewed the succession pipeline for executive management • considered the individuals identified as potential successors to executive management and discussed the next steps in their development
Diversity and inclusion • ensuring that the bank retains the best talent	• considered the diversity of the board and senior management, including the individuals noted as potential successors • the committee acknowledged that there was a 38% female representation on the board • discussed the potential impact to the diversity of the board when considering potential candidates for appointment to the board

Board effectiveness review

The board and individual director's performance is formally evaluated annually based on recognised codes of corporate governance; the annual effectiveness review covers areas of the board's processes and responsibilities, according to leading practice. This year the board effectiveness review was externally facilitated, by Professor Robert Goffee. The directors each completed a questionnaire, prior to meeting individually with Professor Robert Goffee. The interviews were broad ranging, and designed to provide context to the questionnaire responses. The questionnaire comprised eight sections, including role and organisation, agenda, corporate governance, non-executive directors, executive directors, information, monitoring performance, and board leadership and culture. The findings were collated and presented at the January 2019 committee meeting. Overall, the board members were found to be satisfied with various aspects of board governance and functioning.

The review identified the particular strengths of the board to be board leadership and culture, corporate governance, the functioning of the Audit Committee and the priority given to risk management and internal controls. In comparison to the previous externally facilitated report, the standard of board presentations and the expectations regarding directors' responsibilities, was considered to have improved. Notwithstanding the strengths, there were a number of suggested areas for improvement.

The committee considered the suggested areas for improvement in detail, noting that due to the changes to the composition of the board during the year, in particular the increased weighting towards non-executive directors that a number were found to be in progress. The committee determined that further action was required in regards to the board's contribution to strategic direction, and recommended to the board that an annual strategy session be arranged, which was subsequently held in May 2019. It was also agreed that it would be beneficial for the non-executive directors to be given the opportunity to meet without the executive directors present on a more regular basis. As a result, it has been arranged that time will be allotted in advance of certain board meetings, for such meetings to take place. The committee will continue to monitor the actions resulting from the board effectiveness review as the year progresses.

IBP Audit Committee report

As the newly elected chair of the IBP Audit Committee, I am pleased to present you with the report of the Audit Committee of Investec Bank plc for the financial year ended 31 March 2019. I formally assumed the role of committee chair in January 2019, and Brian Stevenson stepped down from the committee at that time. I would like to offer my sincere thanks to Brian for his significant contribution to this committee, including its successful establishment as an independent committee of the bank.

The IBP Audit Committee was established during 2017 as an independent committee of the bank. Prior to the establishment of the IBP Audit Committee in 2017, the board had mandated authority to the DLC Audit Committee to be the Audit Committee of the bank. We believe that this change has helped to enhance the level of independent oversight and scrutiny of audit matters. During the year we have continued to strengthen the bank's existing governance processes, with the formation of an independent board risk and capital committee (the IBP BRCC). The evolution of the bank's governance structure has, therefore, been a key area of focus in the course of the year, and will remain a major consideration in the year ahead. The allocation of responsibilities between the IBP Audit Committee and the newly created IBP BRCC has, in particular, been a significant point of focus, given the synergies and nature of matters considered by the two committees. As a result, I have also been appointed as a member of the IBP BRCC.

The main objectives of the committee are to have oversight of and to give assurance to the board on the financial reporting, internal controls and risk management systems, conduct, internal audit and control environment of the bank (excluding Investec Wealth & Investment). As identified in the previous annual report and accounts, the major areas of focus for the committee in the year in question, have been IT controls and cyber security, conduct, the implementation of GDPR and the continued review of the processes and procedures enacted for IFRS 9. The committee has also considered the implications of Brexit for the bank, in particular, the effect that Brexit may have on the bank's Irish branch.

Please refer to the report on the following pages for details of all of the material matters considered by the committee in the last year.

Role of the chair

During a comprehensive induction programme, I met with, amongst others, the head of internal audit, the lead external audit partner and senior management, including the chief executive officer, chief operating office, chief risk officer and the heads of the key business functions.

The role of the chair of the IBP Audit Committee requires regular meetings with the head of internal audit, as well as the lead external audit partner and senior management outside of formal committee meetings in order to maintain and develop an understanding of the bank's operations. These interactions are an essential part of the role of the chair of the IBP Audit Committee, as it provides an additional layer of assurance to gain comfort that these control functions are aligned.

Committee performance

The performance of the committee was assessed by Professor Robert Goffee, an independent, external corporate governance consultant, as part of the annual effectiveness review of the board of Investec Bank plc. The results show that the functioning of the committee is considered to be a particular strength, and the board takes a high level of assurance from the technical competence and diligence of the committee's work. It is considered well-constituted, with the right balance of skills and experience. You can read about the outcomes of the review of board, board committee and individual director effectiveness on page 105.

Investec's robust governance framework is supported by its open and honest culture which helps to ensure key issues are escalated in a timely manner

IBP Audit Committee

Lesley Watkins
Chair of the Investec Bank plc Audit Committee

Key areas of focus in FY 2019

- Reviewing key management judgements and provision levels proposed
- Monitoring the progress on improving controls relating to IT and cyber security
- Monitoring the implementation of GDPR
- Reviewing of the processes and procedures enacted for IFRS 9

Areas of focus in FY 2020

- Reviewing key management judgements and provision levels proposed
- Reviewing the processes for the implementation of IFRS 16
- Oversight of the external review of the internal audit function

Looking ahead

In 2019/ 2020, the committee will liaise with the recently formed IBP BRCC to ensure that the risks and the internal control environment are closely monitored. The committee will monitor the implementation of IFRS 16 and the progress made on the closure of internal audit findings. There will be an increased emphasis on the committee's oversight of the controls relating the integrity of financial reporting. IT risks and cyber security will now be monitored by the IBP BRCC. In addition there will be consideration of the independence of the internal auditor and external auditors, and audit quality measures, and an external review of the internal audit function to be conducted during the year and considered by the committee.

Lesley Watkins

Lesley Watkins
Chair, IBP Audit Committee

13 June 2019

Role and responsibilities

The IBP Audit Committee is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- assessing the integrity of the bank's financial reporting and satisfying itself that any significant financial judgements made by management are sound
- evaluating the effectiveness of the bank's internal controls, including internal financial controls
- scrutinising the activities and the performance of the internal and external auditors, including monitoring their independence and objectivity
- overseeing the relationship with the bank's external auditor
- reviewing and monitoring the effectiveness of the bank's whistleblowing policies and procedures

Composition and meetings

The committee is composed solely of independent non-executive directors, with membership designed to provide the breadth of financial expertise and commercial acumen it needs to fulfil its responsibilities. Its members include individuals with recent and relevant experience of the banking and financial services sector, in addition to general management and commercial experience, and who are financially literate. The chair of the committee, Lesley Watkins, was previously a managing director in a number of financial services firms, including UBS and Deutsche Bank.

Prior to the establishment of the IBP Audit Committee in 2017, the board had mandated authority to the DLC Audit Committee to be the Audit Committee of the bank. Since the establishment of the independent Audit Committee of the bank, in carrying out its responsibilities, the IBP Audit Committee reports both to the board, and to the DLC Audit Committee. The reporting of the committee to the Investec group Audit Committee is supported by the membership of Zarina Bassa, chair of the DLC Audit Committee.

During the financial year ended 31 March 2019, the committee met six times and the chart below shows how it allocated its time. Attendance by members at committee meetings is shown below. Committee meetings were attended by representatives from management, including the chief executive officer, chief financial officer and head of conduct and governance, as well as representatives from the businesses and other functions. The lead audit partner of Ernst & Young LLP (Ernst & Young) the bank's external auditor, Ken Eglinton, attended all committee meetings.

	(six meetings in the year)
Members	**Meetings attended/eligible to attend**
Lesley Watkins (chair)*	2/2
Brian Stevenson (former chairman)**	5/5
Zarina Bassa	6/6
Haruko Fukuda	6/6
Moni Mannings	5/6
Paul Seward	–

* *Lesley was appointed as chairman of the committee on 21 January 2019.*
** *Brian stepped down as chairman and as a member of the committee on 21 January 2019.*
*** *Paul was appointed a member of the committee on 1 April 2019.*
^ *Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.*

How the committee spent its time

Financial reporting	**External audit matters**	**Internal audit matters**	**Risk management and internal controls (including IT risk and cyber security)**	**Other (including macro issues and reports from subsidiary committees)**
25%	25%	25%	15%	10%

How the IBP Audit Committee works

The significant matters addressed by the committee during the financial year ended 31 March 2019, and in evaluating the annual report and financial statements are described on the following pages.

Financial reporting

The IBP Audit Committee's primary responsibility in relation to the bank's financial reporting is to review with both management and the external auditor the appropriateness of the bank's financial statements, with its primary focus being on:

- assessing whether the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy
- material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor
- the appropriateness of accounting policies and practices

Accounting policies and practices

The committee discussed reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and the proposed disclosure of these in the 2019 annual report.

Following discussions with both management and the external auditor, the committee approved the critical accounting judgements, significant accounting policies and disclosures, which are set out in the accounting policies to the financial statements.

Significant judgements and estimates

The significant judgements and estimates and actions taken by the committee in relation to the 2019 annual report and financial statements are outlined below. Each of these matters was discussed with the external auditor during the year and, where appropriate, has been addressed in the auditor's report on pages 140 to 149.

Area of focus	*What we did*
Impairments • the bank has implemented IFRS 9 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, developing methodologies for the weighting of economic scenarios, establishing criteria to determine significant deterioration in credit quality and the application of management adjustments to the model output	• challenged the level of provisions made and the assumptions used to calculate the impairment provisions held by the bank • the committee agreed that the provision levels for impairment were appropriate • assessed impairment experience against forecast, and considered whether impairment provisions were appropriate. Particular focus was given to the legacy portfolio and exposures, which are affected by the current macroeconomic environment • evaluated the impact of IFRS 9 on impairment • the committee received a number of deep dive presentations from the Finance and Credit officers responsible for the IFRS 9 implementation • the committee considered in detail the key IFRS 9 assumptions relating to staging criteria and the weighting of economic scenarios • monitored the bank's expected credit losses, model changes, scenario updates, post-model adjustments, and volatility • the committee reviewed model adjustments and scenario updates made by management to ensure that impairment allowances were set at appropriate and adequate levels
Valuations • the bank exercises judgement in the valuation and disclosure of financial instruments, derivative assets and certain portfolios	• challenged and debated material individual positions, in particular the unlisted private equity investments • received presentations on the material investments across the bank including an analysis of the key judgements and assumptions used • the committee approved the valuation adjustments proposed by management for the year ended 31 March 2019
Tax • there are certain legacy structured transactions within the bank only where there is uncertainty over the outcome of the tax positions and judgement is required over the calculation of the provision	• received regular updates on this topic from tax, group finance and legal to enable it to evaluate the appropriateness of the tax risk provision to cover existing tax risk • analysed the judgements and estimates made and discussed the potential range of outcomes that might arise • evaluated the appropriateness of tax risk provisions to cover existing tax risk • the committee confirmed the tax provisions and disclosures for the year ended 31 March 2019

Area of focus	*What we did*
Going concern • the directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future	• the committee undertook an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement • considered reports on the bank's budgets and forecasts, profitability, capital, liquidity and solvency • the committee concluded that it was satisfied that the bank had adequate resources to continue in business for the foreseeable future • the committee recommended to the board that it was appropriate for the financial statements to be prepared on a going concern basis
Fair, balanced and understandable reporting • the bank is required to ensure that its external reporting is fair, balanced and understandable, and whether it provides the information necessary for stakeholders to assess the bank's position and performance, business model and strategy	• the committee undertakes an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement • met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure • assessed disclosure controls and procedures • confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • the committee concluded that the processes underlying the preparation of the annual report and financial statements for the year ended 31 March 2019 were appropriate in ensuring that those statements were fair, balanced and understandable. • the committee recommended to the board that the 2019 annual report and financial statements were fair, balanced and understandable

Other significant matters

Apart from financial reporting matters, the committee has responsibility for the oversight of the effectiveness of the bank's internal controls, the performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditor. In addition to the standard and regular agenda items, such as reports from the IBP Prudential Assurance, Conduct and Controls Committee, the most significant matters considered during the financial year ended 31 March 2019 are described in the table below.

Area of focus	*What we did*
Internal controls • the effectiveness of the overall control environment, including the status of any material control issues and the progress of specific remediation plans	• evaluated and tracked the status of the material control issues identified by internal audit and the external auditors and tracked the progress of the associated remediation plans against agreed time frames • received regular reports from the prudential assurance conduct and controls committee • considered the second line of defence role in the oversight of operational risk controls • evaluated reports on the internal control environment from the internal and external auditors • the committee challenged management regarding their role in identifying the control issues, and requested confirmation from management regarding the remediation of the issues identified including the time frames and accountability for remediation
Business control environment • the effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans	• received regular reports from the prudential assurance, conduct and controls committee • assessed reports on individual businesses and functions on their control environment, and scrutinised any identified control failures and closely monitored the status of remediation plans • the committee received business control environment presentations. These provided further detail of management's assessment of the business unit control environment and key areas of focus, including key control hot spots for the businesses • received updates from senior management, and scrutinised action plans following unsatisfactory audit findings • the committee challenged the business regarding their role in identifying the control issues, and requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation

Area of focus	*What we did*
Whistleblowing • the adequacy of the bank's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases	• monitored whistleblowing metrics • considered the independence and effectiveness of the bank's policies and procedures on whistleblowing • the committee continued to encourage and support the provision of training to colleagues and managers on whistleblowing matters
Internal audit • the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, and the methodology and coverage of the internal audit plan	• scrutinised and agreed internal audit plans, methodology and deliverables • received regular reports from internal audit of all significant issues identified by the internal audit function • monitored delivery of the agreed audit plans, including assessing internal audit resources and hiring levels, and any impacts on the audit plan • tracked the levels of high risk audits, and monitored related remediation plans • met with the head of internal audit, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted • the committee approved the internal audit plans, methodology and deliverables • the committee confirmed that it was satisfied with the performance of the internal audit function • an external evaluation of the internal audit function is to be conducted in 2019/2020
External audit • the performance and work of the bank's external auditors, Ernst & Young	• met with key members of the Ernst & Young audit team to discuss the 2018/2019 audit plan and agree key areas of focus • assessed regular reports from Ernst & Young on the progress of the 2018/2019 audit and any material accounting and control issues identified • discussed Ernst & Young's feedback on the bank's critical accounting estimates and judgements • discussed Ernst & Young's draft report on certain control areas and the control environment ahead of the 2019 financial year end • the committee approved the external audit plan and the main areas of focus

External audit

Auditor appointment and re-election

Investec Bank plc's external auditors are Ernst & Young. Ernst & Young have been the bank's auditors since 1996.

The committee considers the re-appointment of the external auditors each year before making a recommendation to the board and shareholder. The committee is recommending the re-election of Ernst & Young as the auditors of Investec Bank plc.

There will be a mandatory tender no later than for the 2024 audit and a competitive tender process will be conducted in advance of this time. Further information regarding the tender of the Investec group and the bank's external auditors may be found in Investec group's 2019 integrated annual report.

Auditor effectiveness, objectivity and independence

The committee is responsible for assessing the effectiveness, objectivity and independence of the external auditors. This responsibility was discharged throughout the year at formal committee meetings, during private meetings with Ernst & Young, and through discussions with key executive stakeholders.

The external auditors are required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period.

The auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Investec audit meet the independence criteria.

Following due consideration, we continue to believe that Ernst & Young maintained their independence and objectivity, and that the audit process was effective.

Further information regarding the effectiveness, objectivity and independence of the Investec group and the bank's external auditors may be found in Investec group's 2019 integrated annual report.

Non-audit services

The committee has adopted a policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committee. The committee reviews whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the bank. Further details in regards to the audit fees paid to the external auditors for the financial year ended 31 March 2019 may be found in the financial statements on page 174.

The decision to approve the engagement of the external auditor for the services noted above was due to factors including synergies and efficiencies relating to the audit work and their existing knowledge of Investec which allowed work to commence quickly and with minimal disruption.

On the basis of the abovementioned policy and reviews, the Audit Committee was satisfied that the quantity and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young

Further details in regards to the non-audit services provided by the Investec group and the bank's external auditors may be found in Investec group's 2019 integrated annual report.

IBP Board Risk and Capital Committee report

I am pleased to present you with the inaugural report of the IBP BRCC.

The IBP BRCC was established in January 2019 as an independent committee of the bank, and met on two occasions. We believe that this change, which was a result of the continued strengthening of the bank's existing governance processes, has helped to further enhance the level of oversight of and enquiry into the bank's risk management framework. The interaction of the committee with the IBP Audit Committee and the allocation of responsibilities, given the synergies and nature of matters considered by the two committees, have been significant points of focus during the year. To support the collaboration between the IBP Audit Committee and the IBP BRCC, Lesley Watkins, the chair of the IBP Audit Committee, has been appointed a member of the IBP BRCC.

Prior to the establishment of the committee, the board had mandated authority to the DLC BRCC to be the BRCC of the bank. Since the establishment of the committee, in carrying out its responsibilities, the IBP BRCC reports both to the board and to DLC BRCC. The reporting of the committee to the DLC BRCC is supported by my continued membership as chairman of the DLC BRCC.

The main objectives of the committee are to have oversight of the risk management framework of the bank and to assist the board in its responsibility to ensure that the bank maintains effective systems and processes for the management and control of risk exposures. The major areas for the committee in the year in question, have been capital, risk appetite and business/operational resilience. The committee has also considered the implications of Brexit for the bank, in particular the effect that Brexit may have on the bank's Irish branch, and the liquidity metrics of the bank, with stress testing conducted to assist the Brexit analysis.

Please refer to the report on the following pages for details of all of the material matters considered by the committee since inception. Further information regarding the key areas of focus during the course of the year for the DLC BRCC may be found in Investec group's 2019 integrated annual report.

Role of the chair

Paul Seward, who joined the board on 1 April 2019 has assumed the chairmanship of this committee. Paul's significant experience gained during his tenure as chief risk officer of a major UK bank stands him in good stead to lead this committee.

During a comprehensive induction programme, Paul met with the chief executive officer, chief operating office, chief risk officer and senior management, including the heads of the key business functions.

The role of the chairman of the IBP BRCC requires regular meetings with senior management and the heads of the key business functions, in particular, the risk disciplines, outside of formal committee meetings in order to maintain and develop an understanding of the bank's operations and the risks facing the business. These interactions are an essential part of the role of the chairman of the IBP BRCC, as it provides an additional layer of assurance to gain comfort that these risk functions are aligned in terms of their understanding of the risks facing the business and mitigation thereof.

We believe that robust risk management systems and processes are in place to support the bank's strategy

IBP BRCC

David Friedland
Former chairman of the IBP BRCC

Paul Seward
Chairman of the IBP BRCC

Key areas of focus in FY 2019

- Establishment of the committee
- Examination of the bank's capital performance and funding trajectory
- Consideration of the implications of Brexit for the bank

Areas of focus in FY 2020

- Oversight of the bank's ICAAP and ILAAP
- Monitoring of IT controls and cyber security
- Consideration of the post Brexit arrangements of the bank
- Oversight of the bank's ICAAP and ILAAP
- Monitoring of risk in the bank's principal subsidiaries

Committee performance

The annual effectiveness review of the board of Investec Bank plc, preceded the creation of the committee in January 2019. Further information regarding the performance of the DLC BRCC may be found in Investec group's 2019 integrated annual report.

I would like to congratulate Paul on his appointment as chairman of the IBP BRCC, and look forward to working with Paul in the coming year.

Looking ahead

In 2019/2020, the committee will continue to monitor and review IT controls and cyber security, the post Brexit arrangements of the bank, capital management, the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP) and business/operational resilience, including the enhanced operational risk framework. Fully embedding the committee into the bank's enriched corporate governance structure, will be a key matter for the committee, including the consideration of the impact of management succession and the changes to the corporate governance structure to people, culture and conduct.

David Friedland
Former chairman, IBP BRCC

13 June 2019

Role and responsibilities

The IBP BRCC is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- Overseeing the bank's risk framework to ensure that the framework is appropriate to the size, scale and nature of the bank's activities for the purposes of effectively managing the material risks to which the bank is exposed
- Considering whether the resources allocated to the risk management framework are adequate for the purposes of managing the bank's risk exposures effectively

Composition and meetings

The committee is composed solely of independent non-executive directors, with membership designed to provide the breadth of risk expertise and commercial acumen it needs to fulfil its responsibilities.

Prior to the establishment of the IBP BRCC in January 2019, the board had mandated authority to the DLC BRCC to be the BRCC of the bank. Since the establishment of the independent BRCC of the bank, in carrying out its responsibilities, the IBP BRCC reports both to the board and to the DLC BRCC. The reporting of the committee to the DLC BRCC is supported by the membership of David Friedland, chairman of the DLC BRCC.

During the year ended 31 March 2019, the IBP BRCC met twice and the chart below shows how it allocated its time. Attendance by members at committee meetings is shown below. Committee meetings were also attended by representatives from management, including the chief executive officer, chief operating officer and chief risk officer, as well as representatives from the businesses and other functions.

	(two meetings in the year)
Members	**Meetings attended/eligible to attend**
P Seward (chairman)*	–
D Friedland (former chairman)**	2/2
H Fukuda	2/2
M Mannings	2/2
B Stevenson ***	1/1
L Watkins	2/2

* *Paul was appointed as chairman of the committee on 1 April 2019.*
** *David stepped down as chairman of the committee on 1 April 2019.*
*** *Brian was appointed a member of the committee on 8 March 2019.*

How the committee spent its time

Capital	Balance sheet risk	Credit risk	Market risk	Other (including legal, operational, group insurance, conduct risk business continuity, cyber crime and IT)
25%	20%	20%	10%	25%

How the IBP BRCC works

The standard and regular agenda items of the committee include comprehensive reports in regards to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk.

The significant matters addressed by the committee during the financial year ended 31 March 2019 are described on the following pages.

Areas of focus	*What we did*
Capital management • The progress/plan to achieving required regulatory and internal targets and capital and leverage ratios	• measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits • reviewed impending regulations on the management of capital • the committee satisfied itself that the bank was adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios
Liquidity risk • Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, in normal and stressed conditions. This includes repaying depositors or maturing 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	• reviewed regular reports which highlights bank activity, liquidity balances and key measures against thresholds and limits • challenged the effectiveness of the management of such risk within the business • considered the impact of external events, such as Brexit
Balance sheet risk • Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and non-trading interest rate risk	• reviewed regular reports which highlights bank activity, liquidity balances and key measures against thresholds and limits and challenged the effectiveness of the management thereof
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, commodity prices, exchange rates, credit spreads and the underlying volatilities where derivatives are traded	• monitored risk appetite breaches and challenged management action which addressed these breaches • the committee gained comfort that the bank had appropriately addressed identified breaches to limits
Credit and counterparty risk • Credit and counterparty risk are defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group	• monitored the risk appetite limit and queried management action taken in respect of breaches • the committee challenged the effectiveness of the management of such risks within the business
Investment risk • The probability or likelihood of occurrence of losses relative to the expected return of any particular investment	• received reports regarding investment risk • reviewed and questioned the investment risk reports submitted to the committee

Areas of focus	What we did
Operational risk • The potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences	• monitored operational losses to ensure no further risk exits • reviewed the overall risk rating for the bank • considered and reviewed the risk appetite limits for the bank • monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments
Reputational risk • Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated	• monitored events which could potentially create reputational risk • gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders
Conduct risk • Conduct risk means the risk that detriment is caused to the group, its customers, its counterparties or the market, as a result of inappropriate execution of business activities	• reviewed and questioned the conduct risk report which is discussed at each meeting • challenged the effectiveness of the management of such risks within the business
Business continuity risk • Risk associated with disruptive incidents which can impact premises, staff, equipment, systems and key business areas	• reviewed, challenged and debated reports which highlight processes in place to manage this risk • challenged the effectiveness of the management of such risk within the business
Cyber-crime risk • Risk associated with cyber-attacks which can interrupt client services or business processes, or result in financial losses	• received regular reports regarding the cyber-crime landscape, including lessons learnt from external cyber attacks • received the targeted attack simulation results and ensured that any remediation required was completed • gained comfort that the management of cyber-crime was given the necessary priority

Remuneration

Details of the directors' remuneration and remuneration process are set out on pages 117 to 136.

Investec Bank plc

(details as at 13 June 2019)

An indirect subsidiary of Investec plc

Brian D Stevenson (65)

Non-executive chairman

David M van der Walt (54)

Chief executive officer

Zarina BM Bassa (55)

Independent non-executive director

David Friedland (66)

Independent non-executive director

Haruko Fukuda OBE (72)

Independent non-executive director

Paul K Seward (63)

Independent non-executive director

Lesley Watkins (60)

Independent non-executive director

Ruth Leas (47)

Chief risk officer

Moni Mannings (56)

Senior independent non-executive director

Kevin P McKenna (52)

Chief operating officer

Fani Titi (57)

Executive director

James KC Whelan (56)

Executive director

Ian R Wohlman (64)

Head of conduct and governance

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REMUNERATION REPORT

We have a strong entrepreneurial, merit- and values-based culture, characterised by passion, energy and stamina

The Remuneration Committee of the bank's parent, Investec plc, comprises non-executive directors and is ultimately responsible for determining the overall reward packages of executive directors. The Investec Bank plc Remuneration Committee reviews and recommends the remuneration for the executive directors and senior employees to the Investec DLC Remuneration Committee. The policy on remuneration packages for non-executive directors is agreed and determined by the board.

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, their communities and the bank.

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive (share awards) providing long-term equity participation
- Certain of our Material Risk Takers receive fixed monthly cash allowances (where appropriate for the role) and a commensurate reduction of variable short-term incentive.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short-, medium- and longer-term in a risk conscious manner. Overall, rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the bank's short-, medium- and long-term success. Our reward programmes also recognise potential in people.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Remuneration principles

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy', are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the bank
- Be consistent with and promote sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the bank
- Ensure that payment of variable remuneration does not limit the bank's ability to maintain or strengthen its capital base
- Target gross fixed remuneration (base salary and benefits including pension) with reference to the middle quartiles of the market levels to contain fixed costs
- Ensure that variable remuneration is largely economic value added (EVA) – based and underpinned by our predetermined risk appetite and capital allocation
- Facilitate alignment with the shareholder through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of Material Risk Takers who have a maximum variable remuneration: fixed remuneration ratio of 2:1. This cap is defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2:1, depending on the length of deferral, inflation and interest rates. This is currently 243.3% of fixed remuneration for those who satisfy these conditions.

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to make variable remuneration awards. Investec Bank plc has the ability to pay no annual bonuses and make no long-term incentive awards should the performance of the bank or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec Bank plc and its clients from occurring and posing a risk to the bank on prudential grounds.

Remuneration policy

All remuneration payable (salary, benefits and incentives) is assessed at an Investec group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

Our policy with respect to remuneration of employees has remained unchanged during the 2019 financial year.

Determination of remuneration levels for employees

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the Investec group include:

- **Financial measures of performance:**
  - Risk-adjusted EVA model
  - Affordability.
- **Non-financial measures of performance:**
  - Market context
  - Specific input from the risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- **Financial measures of performance**
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- **Non-financial measures of performance**
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the bank's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the risk and compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, the FTSE 350 General Finance sector has offered the most appropriate benchmark
- In order to avoid disproportionate packages across areas of the bank and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of remuneration components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees. The remuneration arrangements for S Koseff and B Kantor, as determined by the Investec DLC Remuneration Committee, can be found in the Investec group's 2019 integrated annual report.

Gross remuneration: base salary and benefits

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the bank's policy to seek to set base salaries and benefits (together known as gross remuneration) with reference to the middle quartiles of the market levels when compared like for like with peer group companies.

Human Resources provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec Bank plc in meeting its objectives while remaining true to corporate values, and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by human resources to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are appropriate when compared against the market and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries, not annual bonuses or role-based allowances, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus, subject *inter alia* to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our two operating divisions: Wealth & Investment and Specialist Banking. This reflects differing regulatory requirements for the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form the basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 18.

Risk management is independent from the business units and monitors, manages and reports on the bank's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the Board Risk and Capital Committee (BRCC). The bank monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/ committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The IBP BRCC (comprising both executive and non-executive directors) sets the overall risk appetite for the bank and determines the categories of risk, the specific types of risks and the extent of such risks which the bank should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the bank's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The DLC capital committee is a sub-committee of the DLC BRCC and provides detailed input into the bank's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the bank should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The policy executive risk review forum (Policy ERRF) and review executive risk review forum (Review ERRF), comprising members of the executive and the heads of the various risk functions meet weekly. These committees responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risks are implemented.

The bank's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis. The riskiness of business undertaken is evaluated and approved prior to initiation of the business through various central forums and committees, deal forum, Credit Committee, Investment Committee and new product forum and is reviewed and ratified at review ERRF and policy ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the bank results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a bank and transaction level, which form the basis of the bank's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Further, both the risk and compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception-only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the executive, and agreed by the Remuneration Committee.

Our EVA model has been consistently applied for a period of about 19 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to intersegment activity. Profits are determined as follows:
  - Realised gross revenue (net margin and other income)
  - *Less:* Funding costs
  - *Less:* Impairments for bad debts
  - *Add back:* Debt coupon or preference share dividends paid out of the business (where applicable)
  - *Less:* Direct operating costs (personnel, systems, etc)
  - *Less:* Allocated costs and residual charges (certain independent bank functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)
  - *Less:* Profits earned on retained earnings and statutory held capital
  - *Add:* Notional profit paid by centre on internal allocated capital
  - *Equals:* Net profits.
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The bank has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees.

A detailed explanation of our capital management and allocation process is provided on pages 79 to 82.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, inter alia, for any unspecified or future risks not specifically identified in the capital planning process. The bank then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk and the competitive benchmarks for each product line
- In essence, varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The bank's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the predetermined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the executive may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the bank, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the bank; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central services and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so,

considering firmwide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the bank's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the bank's finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management before the remuneration committees' review and approval process.

The Investec group's Remuneration Committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and Material Risk Takers. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the bank. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. The Investec Bank plc Remuneration Committee reviews and recommends the remuneration for all of the above to the Investec DLC Remuneration Committee. In making these decisions the committees rely on a combination of external advice and supporting information prepared internally by the bank.

Deferral of annual bonus awards: other than Material Risk Takers within the Specialist Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches over approximately three years; or cash released in three equal tranches over approximately three years. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term share awards. These awards are made in terms of our existing long-term incentive plans. The entire amount of the annual bonus that is not deferred is payable upfront in cash.

Deferral of variable remuneration awards: Material Risk Takers within the Specialist Bank

- Material Risk Takers include senior management, risk takers, staff engaged in certain central functions and any other employees whose professional activities have a material impact on Investec Bank plc's risk profile within the bank
- Individual awards to Material Risk Takers are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the bank's remuneration policy and governance processes (also set out above)
- Annual bonus awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to Material Risk Takers are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as 50% in cash and 50% in short term share awards
- The upfront short-term share awards will vest immediately, but will only be released after a period of 12 months for all Material Risk Takers, with the exception of risk managers, for which it is six months
- Variable remuneration awards for Material Risk Takers who are not exempted by the *de minimis* concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short term share awards, or 50% in short term share awards and 50% in cash
- All deferrals in the form of short term share awards (being either 50% or 100% of such deferral) vest over periods of up to seven years and are then subject to an appropriate period of retention, being 12 months, with the exception of risk managers, for which it is six months.

Investec Wealth & Investment: variable short-term incentive

Investec Wealth & Investment recognises Investec Bank plc's obligation to ensure that all businesses within the group satisfy their obligations under the Remuneration Code. Wealth & Investment recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the PRA and FCA Remuneration Code. The Wealth & Investment Remuneration Committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of Wealth & Investment within the context of the Investec group's agreed remuneration philosophy and policy. The proposals from this committee are subject to final approval by the DLC Remuneration Committee.

Wealth & Investment operates the following performance-related discretionary remuneration plans:

- Core incentive plan – for those in client facing roles and administrative staff who support them directly
- Bonus plan – for those in non-client facing, central services and support functions
- Growth plan – for staff primarily in client-facing roles who generate income directly.

Funding is at the discretion of the Remuneration Committee. Under the core incentive plan, an incentive pool is derived from a formula that is directly related to the profitability of a team or business unit. The pool is distributed to the members of the team or business unit on a discretionary basis. Funding for bonuses is related to the overall profitability of the Wealth & Investment business and is awarded to individuals on a discretionary basis.

The growth plan incentivises growth in revenues, net of the impact of market movements. Awards relate to performance for each year to 28 February, are payable in cash, and are deferred over a three-year period. Payments do not attract employer pension contributions.

Under the core incentive and bonus plans, awards relate to performance for the financial year ending 31 March. An interim payment on account of the annual award is considered at the half-year.

Non-financial performance is reviewed, and where individuals fall below the standards expected, awards may be deferred or forfeited, in part or in full. Payments are made entirely in cash and do not attract employer pension contributions. The award may be paid directly to the individual (subject to the deduction of income tax and national insurance) or, at Wealth & Investment's discretion, as an additional employer pension contribution.

Wealth & Investment executive directors participate in the bonus plan, and where an individual's role is primarily client-facing, that director will also be eligible to participate in the core incentive and growth plans.

Other information on deferred awards and clawback provisions within the bank

Employees who leave the employment of Investec Bank plc prior to vesting of deferred incentive awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the bank's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for Material Risk Takers are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the Remuneration Committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the bank or business unit
- Any violation of the bank's culture and values
- The long-term impact of the outcome on the bank or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for short-term share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

Long-term incentive: share awards

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the Remuneration Committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration. These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three-year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the staff share Executive Committee, the IBP Remuneration Committee or the Wealth & Investment Remuneration Committee as well as the DLC Remuneration Committee before being awarded.

Forfeitable shares for non Material Risk Takers are subject to one third vesting after approximately three, four and five years, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and to vesting over a period of two to four years, or three to seven years, determined by regulatory requirements, and are then subject to a 12-month retention period, with the exception of risk managers, for which it is six months. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

The bank aims to apply remuneration policies to executive directors and employees that are largely consistent across the bank, but recognises that certain parts of the bank are governed by local regulations that may contain more onerous requirements in certain respects

For further information on the share option and long-term share incentive plans in operation and in which the directors are eligible to participate, refer to the Investec group's 2019 integrated annual report.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the Investec plc group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The Remuneration Committee pre-approves all guaranteed awards above a defined threshold, and has oversight of all other guaranteed awards above a lower defined threshold.

Retention awards

Investec Bank plc only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for Material Risk Takers, the Investec Bank plc and DLC remuneration committees shall review all proposed awards. Circumstances where the bank will consider making retention awards include the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to Material Risk Takers, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for Material Risk Takers shall be subject to approval by the Remuneration Committee.

Discretionary extended pension benefits policy

Extended pension payments are very rarely made and any proposed such payments to employees upon reaching retirement will be reviewed by the Investec Bank plc and DLC Remuneration Committee for alignment with appropriate laws, policy and regulation.

Governance

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended), the UK Corporate Governance Code, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code and Pillar III disclosure requirements.

Scope of our remuneration policy

The bank aims to apply remuneration policies to executive directors and employees that are largely consistent across the bank, but recognises that certain parts of the bank are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the bank. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to Material Risk Takers. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Wealth & Investment Limited

Under the PRA and FCA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Wealth Management business has been classified as level 3 entity under the proportionality rules of the PRA and FCA Remuneration Code.

Audited information

Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2019

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
Name	**31 March 2019**	1 April 2018	31 March 2019	**31 March 2019**	1 April 2018	31 March 2019
Executive directors						
DM van der Walt (chief executive officer)	608 155	495 853	0.1%	190 140	190 140	0.1%
B Kantor[4, 5]	1 703 141	1 507 271	0.2%	1 000 500	1 600 500	0.3%
S Koseff[4]	6 236 822	5 936 212	0.9%	787 841	962 841	0.2%
R Leas	192 588	148 289	0.0%	–	–	0.0%
KP McKenna	97 805	77 526	0.0%	–	–	0.0%
JKC Whelan[6]	308 892	135 102	0.0%	413 754	338 333	0.1%
IR Wohlman	287 740	231 343	0.0%	100 000	100 000	0.0%
F Titi[7]	–	–	0.0%	–	–	0.0%
Total number	**9 435 143**	**8 531 596**	**1.2%**	**2 492 235**	**3 191 814**	**0.7%**
Non-executive directors						
BD Stevenson (chairman)[8]	–	–	0.0%	–	–	0.0%
ZBM Bassa	–	–	0.0%	–	–	0.0%
PKO Crosthwaite[9]	115 738	115 738	0.0%	–	–	0.0%
D Friedland	–	–	0.0%	–	–	0.0%
H Fukuda OBE	5 000	5 000	0.0%	–	–	0.0%
S Mannings	–	–	0.0%	–	–	0.0%
L Watkins[10]	–	–	0.0%	–	–	0.0%
Total number	**120 738**	**120 738**	**0.0%**	**–**	**–**	**0.0%**
Total number	**9 555 881**	**8 652 334**	**1.2%**	**2 492 235**	**3 191 814**	**0.7%**

The table above reflects holdings of shares by current directors at 31 March 2019. P Seward became a director after 31 March 2019 and as such is not included in the table.

1 *The issued share capital of Investec plc and Investec Limited at 31 March 2019 was 682.1 million and 318.9 million respectively.*
2 *The market price of an Investec plc share at 31 March 2019 was £4.42 (2018: £5.50), ranging from a low of £4.23 to high of £5.95 during the financial year.*
3 *The market price of an Investec Limited share as at 31 March 2019 was R84.34 (2018: R92.28), ranging from a low of R76.92 to a high of R105.31 during the financial year.*
4 *The beneficial and non-beneficial holdings of S Koseff and B Kantor include Investec plc shares which relate to the award to each of the directors of shares in respect of a £1.0 million fixed allowance on 2 June 2016, 6 June 2017 and 31 May 2018. These shares are, however, subject to a retention period in terms of which 20% of shares will be free from retention restrictions each year over a period of five years. S Koseff resigned as director on 30 January 2019.*
5 *B Kantor entered into a zero cost collar on 6 July 2017 over 600 000 Investec Limited shares by purchasing put options arrangement at a strike price of R100.00 per share and sold call options at a strike price R120.00 per share. These options were sold on 1 December 2018 at a strike price of R100.00 B Kantor resigned as a director on 30 January 2019.*
6 *JKC Whelan entered into a zero cost collar on 5 September 2016 over 338 333 Investec plc shares by purchasing put options at a strike price of R86.65 per share and sold call options at a strike price of R164.64 per share. These options expire on 5 September 2019. JKC Whelan entered into a zero cost collar on 5 September 2016 over 61 257 Investec plc shares by purchasing put options at a strike price of R86.65 and sold call options at a strike price of R164.64 per share. These options expire on 5 September 2019. JKC Whelan adjusted the strike price of 338 333 Investec Limited and 61 257 Investec plc shares to R120.00. All other aspects of the zero premium collar remain unchanged.*
7 *F Titi was appointed an executive director on 15 May 2018. F Titi was appointed joint CEO of the Investec group on 1 October 2018.*
8 *BD Stevenson was appointed as chairman with effect from 15 May 2018. F Titi stood down as chairman with effect from 15 May 2018.*
9 *PKO Crosthwaite resigned as a director on 14 May 2018.*
10 *L Watkins was appointed a director on 13 November 2018.*

Directors' interest in preference shares at 31 March 2019

	Investec plc		Investec Limited		Investec Bank Limited	
Name	**31 March 2019**	1 April 2018	**31 March 2019**	1 April 2018	**31 March 2019**	1 April 2018
Executive director						
S Koseff	12 139	12 139	3 000	3 000	4 000	4 000

- *The market price of an Investec plc preference share at 31 March 2019 was R98.00 (2018: R88.00).*
- *The market price of an Investec Limited preference share at 31 March 2019 was R72.60 (2018: R67.50).*
- *The market price of an Investec Bank preference share at 31 March 2019 was R80.65 (2018: R71.56).*

Directors' interests in options at 31 March 2019

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interests in long-term incentive plans at 31 March 2019

Investec plc shares

Directors do not have any interests over Investec plc shares in long-term incentive plans.

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2018	Exercised during the year	Options granted/ lapsed during the year	**Balance at 31 March 2019**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
JKC Whelan	8 December 2014	Nil	175 000	(131 250)	–	**43 750**	R104.00 (20 Sep 2018)	R13 650 000	75% was exercisable on 8 December 2018 and 25% is exercisable on 8 December 2019

The above awards are not subject to performance conditions and were made prior to the director being classified as a Material Risk Taker in terms of the PRA requirements.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2019

Long-term share awards made in respect of the financial year ending 31 March 2013

Name	Performance period	Performance conditions met (Y/N)	Balance as at 1 April 2018 – shares	Exercised	**Balance at 31 March 2019**	Vesting date and retention period
S Koseff	1 April 2013 to 31 March 2016	Yes	201 155	201 155	–	Vested on 16 September 2018. Retention period end date on 16 March 2019
B Kantor	1 April 2013 to 31 March2016	Yes	201 155	201 155	–	Vested on 16 September 2018. Retention period end date on 16 March 2019

The Executive Incentive Plan and the awards made on 16 September 2013 were approved at the July 2013 annual general meeting in terms of which 600 000 nil cost options each were awarded to S Koseff and B Kantor. An additional 204 617 shares were awarded at the end of performance period.

The performance criteria in respect of these awards were met and detailed in the Investec group's 2016 integrated annual report. These awards have now vested subject to the retention periods reflected above. 603 462 shares were exercised by S Koseff and B Kantor during the 2018 year, leaving the balance off 201 155.

Long-term share awards granted in respect of the 2016 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Conditional awards made during the year	**Balance at 31 March 2019**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
S Koseff	2 June 2016	Nil	314 225	–	**314 225**	1 April 2016 to 31 March 2019	One third was exercisable on 2 June 2019; one third on 2 June 2020 and the final third on 2 June 2021 subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative the performance period of the award
B Kantor	2 June 2016	Nil	314 225	–	**314 225**	1 April 2016 to 31 March 2019	One third was exercisable on 2 June 2019; one third on 2 June 2020 and the final third on 2 June 2021 subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative the performance period of the award

The Executive Incentive Plan and the awards made thereunder were approved at the August 2015 annual general meeting. On 2 June 2016, 314 225 conditional awards were awarded to S Koseff and B Kantor. These awards formed part of their variable remuneration in respect of the financial year ending 31 March 2016. The face value at grant for these awards was equivalent to 100% of fixed remuneration and amounted to £1 480 000 for S Koseff and B Kantor, based on the share price for Investec plc at the time of grant. These awards vested on 2 June 2019. Vesting of these awards based on the performance conditions was assessed at 121.7% of target. Given the vesting at 121.7% the final number of shares to vest for each of S Koseff and B Kantor will be 382 346 respectively. The full details of the performance assessment are outlined in the Investec group's 2019 Integrated annual report.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2019 (continued)

Long-term share awards granted in respect of the 2017 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Conditional awards made during the year	**Balance at 31 March 2019**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
S Koseff	8 June 2017	Nil	252 130	–	**252 130**	1 April 2017 to 31 March 2020	20% is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative the performance period of the award, and accordingly one third will be forfeited
B Kantor	8 June 2017	Nil	252 130	–	**252 130**	1 April 2017 to 31 March 2020	20% is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 subject to performance criteria being met	A further six-month retention after vesting date	Will be pro-rated based on service over the performance period, relative the performance period of the award, and accordingly one third will be forfeited

The Executive Incentive Plan and the awards made thereunder were approved at the August 2015 annual general meeting. On 8 June 2017, 252 130 conditional awards were awarded to S Koseff and B Kantor. These awards formed part of their variable remuneration in respect of the financial year ending 31 March 2017. The performance criteria in respect of these awards were detailed in the Investec group's 2018 integrated annual report. These awards have not yet vested. Vesting starts at 0% for threshold performance. The face value at grant for these awards was equivalent to 100% of fixed remuneration and amounted to £1 480 000 for S Koseff and B Kantor based on the share price for Investec plc at the time of grant.

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2019 *(continued)*

Long-term share awards granted in respect of the 2018 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Conditional awards made during the year	**Balance at 31 March 2019**	Performance period	Period exercisable	Retention period	Treatment on termination of employment
S Koseff	31 May 2018	Nil	–	264 759	**264 759**	1 April 2018 to 31 March 2021	20% is exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to performance criteria being met	A further twelve-month retention after vesting date	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly two thirds will be forfeited
B Kantor	31 May 2018	Nil	–	264 759	**264 759**	1 April 2018 to 31 March 2021	20% is exercisable on 31 May each year, commencing on 31 May 2021 until 31 May 2025, subject to performance criteria being met	A further twelve-month retention after vesting date	Will be pro-rated based on service over the performance period, relative to the performance period of the award, and accordingly two thirds will be forfeited

The Executive Incentive Plan and the awards made thereunder were approved at the August 2015 annual general meeting.
On 31 May 2018, 264 759 conditional awards were awarded to S Koseff and B Kantor. These awards formed part of the variable remuneration in respect of the financial year ending 31 March 2018. The performance criteria in respect of these awards were detailed in the Investec group's 2018 integrated annual report. These awards have not yet vested. Vesting starts at 0% for threshold performance. The face value at grant for these awards was equivalent to 100% of fixed remuneration, and amounted to £1 480 000 for S Koseff and B Kantor based on the share price for Investec plc at the time of grant.

Conditional awards to material risk takers at 31 March 2019

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Exercised during the year	Options granted/ lapsed during the year	**Balance at 31 March 2019**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Executive directors									
R Leas	27 May 2014	Nil	7 500	(7 500)	–	**–**	£4.91 (27 Nov 2018)	£36 793	
	1 June 2015	Nil	60 000	(45 000)	–	**15 000**	£4.85 (3 Dec 2018)	£218 340	25% is exercisable on 1 December 2019 and subject to six months retention thereafter
	2 June 2016	Nil	30 000	(10 000)	–	**20 000**	£4.85 (3 Dec 2018)	£48 520	50% is exercisable on 2 December 2019 and the balance on 2 December 2020 and subject to six months retention after each exercise date
	8 June 2017	Nil	60 000	–	–	**60 000**			One third is exercisable on 8 December 2019; one third on 8 December 2020 and the final third on 8 June 2022 and subject to six months retention thereafter
	31 May 2018	Nil	–	–	60 000	**60 000**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
	31 May 2018	Nil	–	–	20 375	**20 375**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
KP McKenna	27 May 2014	Nil	25 000	(25 000)	–	**–**	£4.91 (27 Nov 2018)	£122 642	
	1 June 2015	Nil	50 000	(37 500)	–	**12 500**	£4.85 (3 Dec 2018)	£181 950	Exercisable on 1 December 2019 and subject to six months retention thereafter
	2 June 2016	Nil	60 000	–	(20 000)	**40 000**	£4.85 (3 Dec 2018)	£97 040	50% is exercisable on 2 December 2019 and the balance on 2 December 2020 and subject to six months retention after each exercise date
	8 June 2017	Nil	60 000	–	–	**60 000**			20% is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024 and subject to a further six months retention after each exercise date

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Exercised during the year	Options granted/ lapsed during the year	**Balance at 31 March 2019**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
KP McKenna *(continued)*	31 May 2018	Nil	–	–	60 000	**60 000**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
	31 May 2018	Nil	–	–	55 137	**55 136**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
DM van der Walt	27 May 2014	Nil	43 750	(43 750)	–	**–**	£4.91 (27 Nov 2018)	£214 624	
	1 June 2015	Nil	125 000	(93 750)	–	**31 250**	£4.85 (3 Dec 2018)	£454 875	Exercisable on 1 December 2019 and subject to six months retention thereafter
	2 June 2016	Nil	150 000	(50 000)	–	**100 000**	£4.85 (3 Dec 2018)	£242 600	50% is exercisable on 2 December 2018 and the balance on 2 December 2020 and subject to six months retention after each exercise date
	8 June 2017	Nil	125 000	–	–	**125 000**			20% is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six months retention period after each vesting date
	31 May 2018	Nil	–	–	125 000	**125 000**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
	31 May 2018	Nil	–	–	151 439	**151 439**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
JKC Whelan	1 June 2015	Nil	125 000	(93 750)	–	**31 250**	£4.84 (4 Dec 2018)	£454 031	Exercisable on 1 December 2019 and subject to six months retention thereafter
	2 June 2016	Nil	150 000	(50 000)	–	**100 000**	£4.84 (3 Dec 2018)	£242 150	50% is exercisable on 2 December 2019 and the balance on 2 December 2020 and subject to six months retention after each exercise date

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2018	Exercised during the year	Options granted/ lapsed during the year	**Balance at 31 March 2019**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
JKC Whelan *(continued)*	8 June 2017	Nil	125 000	–	–	**125 000**			One third is exercisable on 8 December 2019; one third on 8 December 2020 and the final third on 8 June 2022 and subject to six months retention after each exercise date
	31 May 2018	Nil	–	–	125 000	**125 000**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
	31 May 2018	Nil	–	–	77 558	**77 558**			20% is exercisable on 31 May each year commencing on 31 May 2021 until 31 May 2025, subject to a further 12-month retention period after vesting date
IR Wohlman	27 May 2014	Nil	25 000	(25 000)	–	**–**	£4.91 (27 Nov 2018)	£122 642	
	1 June 2015	Nil	60 000	(45 000)	–	**15 000**	£4.85 (3 Dec 2018)	£218 340	Exercisable on 1 December 2019 and subject to six months retention thereafter
	2 June 2016	Nil	60 000	(20 000)	–	**40 000**	£4.85 (3 Dec 2018)		50% is exercisable on 2 December 2019 and the balance on 2 December 2020 and subject to six months retention after each exercise date.
	8 June 2017	Nil	60 000	–	–	**60 000**			20% is exercisable on 8 June each year, commencing on 8 June 2020 until 8 June 2024, subject to a further six months retention period after each vesting date.
	31 May 2018	Nil	–	–	50 000	**50 000**			One third is exercisable on 31 May each year commencing on 31 May 2020 until 31 May 2023, subject to a further 12-month retention period after vesting date
	31 May 2018	Nil	–	–	18 497	**18 497**			One third is exercisable on 31 May each year commencing on 31 May 2020 until 31 May 2023, subject to a further 12-month retention period after vesting date

The above awards to Material Risk Takers are subject to performance conditions and a six or 12 month retention period after the award vests. In addition, these awards are subject to clawback in respect of some or all of the unvested portion of the award in terms of the PRA Remuneration Code.

The performance conditions will be assessed by the IBP Remuneration Committee and the Investec group Remuneration Committee, in accordance with the rules and requirements of the PRA from time to time, at the end of each financial year of the performance period. For each year within the performance period that the return on risk weighted assets for Investec Bank plc is equal to or greater than 0.3%, the performance condition for 25% of the award is satisfied, in which case 25% of the award will vest on the relevant vesting date (subject to clawback).

Outstanding unvested deferred share awards not subject to performance conditions

Name	Award type	Performance conditions	Eligible for dividends	Vesting period	Total number outstanding at 31 March 2019
R Leas	Conditional shares	None	No	From 1 to 7 years	6 531
KP McKenna	Conditional shares	None	No	From 1 to 7 years	39 013
DM van der Walt	Conditional shares	None	No	From 1 to 7 years	104 802
JKC Whelan	Conditional shares	None	No	From 1 to 7 years	49 011
IR Wohlman	Conditional shares	None	No	From 1 to 7 years	14 315

Directors' emoluments

	2019	2018
Aggregate emoluments (excluding pension contributions)	9 663	8 928
Contributions to defined contributions scheme	171	161
	9 834	**9 089**
Number of directors in defined contributions scheme	5	5
Number of directors in closed defined benefits scheme	–	–

Included in aggregate emoluments for the current year are performance awards to executive directors excluding Investec group executive directors, whose remuneration is disclosed individually in the Investec group's 2019 integrated annual report. Performance awards comprise £1 053 995 in up front cash, £1 053 995 in up front shares (vesting immediately and subject to 12 months' retention thereafter), £214 039 in deferred cash (vesting equally over one to five years, or three to seven years, subject to regulatory requirements), and £1 572 970 in deferred short term share awards (vesting equally over one to five years, or three to seven years, subject to regulatory requirements).

Emoluments of the highest paid director were £2 903 211 (2018: £2 934 428) excluding £36 362 of pension contribution to the defined contribution scheme. The performance awards of the highest paid director comprise £313 124 in up front cash, £313 124 in up front shares (vesting immediately and subject to 12 months' retention thereafter) and £543 752 in deferred short term share awards (vesting equally over one to five years).

The directors have, during the year, exercised options granted to them under various of the Investec plc group's long-term incentive plans. Full details are included on pages 125 to 133.

Non-executive directors receive fees based on their board and committee membership and roles.

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below

Summary: Investec plc and Investec Limited share statistics

	31 March 2019	31 March 2018	High over the year	Low over the year
Investec plc share price	£4.42	£5.50	£5.95	£4.23
Investec Limited share price	R84.34	R92.28	R105.31	R76.92
Number of Investec plc shares in issue ('million)	682.1	669.8		
Number of Investec Limited shares in issue ('million)	318.9	310.7		

Additional remuneration disclosures (unaudited)

PRA and FCA Remuneration Code and Pillar III disclosures

In terms of the PRA's Chapter on Disclosure Requirements and Part 8 of the Capital Requirements Regulation the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 56 individuals were Material Risk Takers in 2019.

The bank's qualitative remuneration disclosures are provided on pages 118 to 124 and further information is provided in the Investec group's 2019 integrated annual report.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2019.

Aggregate remuneration by remuneration type awarded during the financial year

	Senior management	Other Material Risk Takers	**Total**
Fixed remuneration			
– Cash	10.4	15.8	26.2
– Shares	4.6	–	4.6
Variable remuneration*			
– Upfront Cash	2.7	3.2	5.9
– Deferred cash	0.8	2.2	3.0
– Upfront shares	2.6	3.0	5.6
– Deferred shares	3.9	2.5	6.4
– Deferred shares – long-term incentive awards**	5.6	3.3	8.9
Total aggregate remuneration and deferred incentives (£'million)	**30.6**	**30.0**	**60.6**
Number of employees***	18	39	57
Ratio between fixed and variable pay	1.0	1.1	1.0

* *Total number of employees receiving variable remuneration was 50.*

** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and vest over a period of two and a half to four and a half years, up to three to seven years, determined by regulatory requirements. They are also subject to a six or 12-month retention period after vesting.*

*** *This excludes non-executive directors.*

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	14
£1 200 001 – £1 600 000	7
£1 600 001 – £2 000 000	4
£2 000 001 – £2 400 000	1
£2 400 001 – £2 800 000	1
£2 800 001 – £3 200 000	2
£3 200 001 – £3 600 000	2
£3 600 001 – £4 000 000	–
£4 000 001 – £4 400 000	–
£4 400 001 – £4 800 000	–
£4 800 001 – £5 200 000	–
> £5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the beginning of the year	32.3	29.0	61.3
Deferred unvested remuneration adjustment – employees no longer Material Risk Takers and reclassifications	10.0	(10.8)	(0.8)
Deferred remuneration awarded in year	12.5	5.8	18.3
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration reduced in year through malus and clawback adjustments^^	–	–	–
Deferred remuneration vested in year	(7.6)	(4.9)	(12.5)
Deferred unvested remuneration outstanding at the end of the year	**47.2**	**19.1**	**66.3**

^^ *All employees are subject to clawback provisions as discussed on page 123. No remuneration was reduced for ex post implicit adjustments during the year.*

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	43.2	14.4	57.6
– Cash	4.0	4.7	8.7
	47.2	**19.1**	**66.3**

£'million	Senior management	Other Material Risk Takers	Total
Deferred remuneration vested in year			
– For awards made in 2017 financial year	0.5	1.1	1.6
– For awards made in 2016 financial year	4.0	1.4	5.4
– For awards made in 2015 financial year	3.1	0.9	4.0
– For awards made in 2014 financial year	–	1.5	1.5
	7.6	**4.9**	**12.5**

Other remuneration disclosures

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	0.4	0.4
Number of beneficiaries	–	2.0	2.0
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Key Management Personnel (audited)

Details of Directors' remuneration and interest in shares are disclosed on pages 125 to 133. IAS 24 "Related party disclosures" requires the following additional information for key management compensation.

Compensation of key management personnel	2019 £'000	2018 £'000
Short-term employee benefits	20 797	21 505
Other long-term employee benefits	4 302	6 649
Share-based payments	6 927	4 651
Total	**32 026**	**32 805**

Shareholdings, options and other securities of key management personnel

	2019 £'000	2018 £'000
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	4 693	4 243

	2019 £'000	2018 £'000
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	12 137	11 771

We have defined key management personnel as the directors of Investec plc and Investec Limited plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Steve Elliott, Malcolm Fried, Marc Kahn, David van der Walt, Ciaran Whelan, Jonathan Wragg.

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ANNUAL FINANCIAL STATEMENTS

The directors present their strategic and directors' report and financial statements for the year ended 31 March 2019.

Strategic report

The strategic report for the year ended 31 March 2019 was approved by the board of directors on 13 June 2019.

Section 414A of the UK Companies Act 2006 (the UK Companies Act) requires the directors to present a strategic report in the annual report and accounts. The company has chosen, in accordance with section 414C(11) of the UK Companies Act, to include certain matters in its strategic report that would otherwise be disclosed in the directors' report.

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

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

Business and principal activities

The principal activities of Investec Bank plc (the bank) and its subsidiaries are Specialist Banking and Wealth & Investment activities. The Specialist Banking activities are also undertaken by the bank's branch in Dublin and its principal subsidiaries as set out in note 51.

Review of the business and future developments

A review of the bank's business for the year and future proposed activities can be found in the financial review on pages 19 to 25.

Accounting policies and disclosures

Accounting policies are set having regard to commercial practice and comply with applicable UK law. To align with the accounting policies applied in the consolidated financial statements of the bank's listed parent, Investec plc, the consolidated and unconsolidated financial statements of the bank are prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union.

These policies are set out on pages 160 to 169.

Authorised and issued share capital

Details of the share capital at 31 March 2019 are set out in note 41 to the bank's annual financial statements.

No shares were issued during the year.

Results and dividends

The results for the year are shown on page 150. Movements in reserves are shown in the reconciliation of equity on pages 158 and 159 of the financial statements. ***The following interim dividends were declared and paid during the year: £35 million was declared and paid on 31 May 2018 and £18 million was declared and paid on 18 November 2018.***

Directors and their interests

The directors of the bank for the year ended 31 March 2019 are shown on page 116.

The names of the current directors of Investec Bank plc, along with their biographical details, are set out on pages 92 to 96, and are incorporated into this report by reference. Changes to the composition of the board since 1 April 2018 up to date of this report are shown in the table below:

	Appointed to the board	Retired from the board
Perry Crosthwaite		15 May 2018
Bernard Kantor		30 January 2019
Stephen Koseff		30 January 2019
Lesley Watkins	13 November 2018	
Paul Seward	1 April 2019	

The interests of the directors are set out in the remuneration report on pages 117 to 136. Except as disclosed in this report, no other director held any beneficial interest in the shares of the company or the group.

Environment

The group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Further information is provided in Investec group's 2019 integrated annual report.

Employees

The group's policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment.

The group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the group's operations, and motivating staff involvement in the group's performance by means of employee share and option schemes.

Further information is provided in Investec group's 2019 integrated annual report.

Going concern

Refer to page 109 for the directors' statement in relation to going concern.

Post 2019 financial year events

On 10 May 2019 Investec Bank plc agreed to sell its Irish Wealth Management business to Brewin Dolphin for proceeds of circa EUR 44 million, subject to regulatory approval.

Independent auditor and audit information

Ernst & Young LLP have indicated their willingness to continue in office as auditors. A resolution proposing their reappointment as auditors will be submitted to the annual general meeting.

Each person who is a director at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given pursuant to section 418 the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 140 to 149, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 2006 to prepare group and company accounts for each financial year and, with regards to group accounts, in accordance with Article 4 of the IAS Regulation. The directors have prepared group and company accounts in accordance with IFRS as adopted by the EU. Under the Companies Act 2006, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of their profit or loss for that period.

The directors consider that, in preparing the financial statements the group and company has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the board and brought to the attention of the board during the year into account, the directors are satisfied that the annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility statement

The directors have responsibility for ensuring that the company and the group keep accounting records which disclose with reasonable accuracy the financial position of the company and the group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement in accordance with applicable law and regulations.

The directors are responsible for the maintenance and integrity of the annual Report and financial statements as they appear on the group's website.

The directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors, whose names and functions are set out on pages 92 to 96, confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

(b) the management report, on pages 2 to 18, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approval of financial statements

The directors' report and the financial statements of the bank, which appear on pages 138 and 139, and pages 150 to 281, were approved by the board of directors on 13 June 2019.

Signed on behalf of the board

David van der Walt
Chief executive officer
13 June 2019

Brian Stevenson
Chairman
13 June 2019

Opinion

In our opinion:

- Investec Bank plc's group consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, except where marked in notes 51 and 56 as 'unaudited', of Investec Bank plc which comprise:

Group	*Parent company*
Consolidated balance sheet as at 31 March 2019	Balance sheet as at 31 March 2019
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 and 13 to 58 to the financial statements
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 57 to the financial statements	
Information identified as 'audited' in section 3 – Risk Management and Corporate Governance	
Information identified as 'audited' in section 4 – Remuneration Report	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Monitoring of credit quality and the appropriateness of the allowance for expected credit losses; • Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans; • IT systems and controls impacting financial reporting; and • Provision for uncertain tax positions.
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further two components. • The components where we performed full or specified audit procedures accounted for 96% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 95% of revenue and 99% of total assets.
Materiality	• We applied group materiality of £15.5 million which represents 7.5% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. We also addressed the risk of management override of internal controls including whether there was evidence of bias by management or the directors that represented a risk of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses		
Refer to the Annual Report (page 108); Accounting policies (pages 163 to 164); and Note 26 of the Consolidated Financial Statements (page 223) The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The introduction of IFRS 9, which the group adopted on 1 April 2018, has resulted in several additional key judgments and assumptions being applied during the current year. At year-end the group reported total gross loans and advances to customers subject to expected credit loss ("ECL") of £9,864 million (2018: £9 681 million); impairment provisions of £148 million (2018: £152 million); and credit losses of £36 million (2018: £106 million). The largest loan portfolios represent lending to high net worth and professional individuals, lending collateralised by property, public and non-business services and finance and insurance. The most significant provisions are for lending collateralised by property. Given the subjective nature of the calculation of ECL there is a heightened risk that the timing and extent of allowances could be misstated.	As IFRS 9 was adopted on 1 April 2018 we performed audit procedures on the opening balances to gain assurance over the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. To address the significant judgments and estimates we focused on the following key procedures: **Assessment of significant increase in credit risk** We tested the design and operating effectiveness of key controls focusing on the following: • Assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage (including performing peer benchmarking); • Approval of staging criteria; • Assessment and governance of manual overrides to staging outcomes; and • Data quality. We also tested a sample of assets in stages 1, 2 and 3 to verify they were included in the appropriate stage **ECL model** We tested the design and operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9 and obtained audit evidence that appropriate interpretations were reflected in the models.	Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9. We highlighted the following matters to the Audit Committee: • Control deficiencies were identified during our testing that required compensating substantive testing. • Our testing of models and model assumptions highlighted some design and judgemental differences; however, these did not result in a material impact on the financial statements. • For individually assessed impairments, judgemental differences both increasing and decreasing impairment levels were identified; however, none of these were material to the financial statements.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses *(continued)*		
We focused on the following significant judgments and estimates. • The assumptions used in the models to calculate ECL, including: – Completeness and accuracy of historical data used to build the models; – Completeness and accuracy of data used to run the models; and – Key model assumptions and techniques. Modelled ECL represents 13% of total ECL. • Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages; • The inputs and assumptions used to estimate the impact of multiple economic scenarios; • Completeness and valuation of post model adjustments (these represented 5% of the total ECL); • Individually assessed provisions, where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows. Individually assessed provisions represent 82% of ECL; and • Finance and credit processes to produce the financial statement disclosures Whilst the adoption of the new standard has brought additional complexity and increased subjectivity, the risk has decreased year-on-year as a result of the reduction in the exposure to the legacy portfolio.	We involved our modelling specialists to test assumptions and calculations used in the ECL. This included performing an assessment of: • estimated behavioural lifetime for assets in scope of the behavioural lifetime exception in IFRS 9; • the model design documentation; • the appropriateness of the methodology considering alternative techniques; and • the code to verify it was consistent with the design documentation. We also tested a sample of the historical and reporting date data used in the models by tracing back to the originating systems. **Multiple economic scenarios** We tested the design and operating effectiveness of key controls focusing on the following: • Generation and approval of base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios We used our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. In performing this assessment, we considered economic scenarios from a variety of external sources, as well as forecasts that we developed internally. We involved our modelling specialists to assess the correlation of the macro-economic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. We verified that the base case scenario used was consistent with the base case used as an input in other areas of the group. **Post model adjustments** Where post model adjustments were made as a result of limitations in existing models, we verified the extent of the model shortcoming and assessed the appropriateness of the adjustments.	

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Monitoring of credit quality and the appropriateness of the allowance for expected credit losses *(continued)*		
	Individually assessed provisions We tested the design and operating effectiveness of key controls focusing on the following: • The processes and controls over the calculation of the provision, including timing of collateral valuations, work out strategies and annual credit reviews. • Where work out strategies require additional funding to execute we obtained evidence of the approval for such funding through the bank's risk management governance process and assessed the track-record of management in approving the utilisation of the additional funding; • Estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; and • Approval of final provision amount by management's impairment decision committee. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including marine, mining and property exposures. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the potential alternative scenarios and the probability weights assigned. We checked the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising. **Disclosures** Our testing focused on: • Financial statement close process used to record the ECL journal entries; • IT controls over the completeness and accuracy of the ECL; • Agreeing disclosures back to source systems tested; • Reconciliations between finance and risk systems; and • Design and approval of the disclosures to meet IFRS requirements, including the transition from IAS 39.	
	The audit work was performed centrally by the Investec Bank plc audit team supported by relevant component audit teams, as required. We have performed audit work over 100% of the ECL.	

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Valuation of level 3 complex/illiquid financial instruments, unlisted investments, investment properties and fair value loans		
Refer to the Annual Report (page 108); Accounting policies (page 164); Key management assumptions (pages 168 to 169) and Note 14 of the Consolidated Financial Statements (page 200) There are £4,880 million (2018: £3,387 million) of assets and £1,671 million (2018: £1,271 million) of liabilities that are required to be fair valued under the IFRS accounting framework. For level 3 instruments, such as unlisted investments in private equity and corporate and institutional banking, investment properties, fair value loans or bespoke derivative structures there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements which are material. At the year-end the group reported level 3 assets of £1,884 million (2018: £744 million) and level 3 liabilities of £130 million (2018: £143 million). The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgments, are the Hong Kong portfolio including related lending activities. Significant judgment is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated. The most material assets within the Hong Kong portfolio is a standing item for discussion at the Audit Committee. The level of risk has not materially changed from prior year.	We tested the design and operating effectiveness of key controls for the valuation of level 3 financial instruments. We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions and contractual obligations. Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market. In relation to the most material assets within the Hong Kong portfolio additional procedures were performed including: • Performing a site visit to inspect key assets and meet with key management and Board members of the investee; • Engaging our business valuations specialists to build an independent valuation model in addition to assessing the key inputs and assumptions. As part of this we also considered alternative inputs and assumptions; and sensitivity analysis was performed on the most material inputs; • We challenged management to produce new valuation models that were responsive to what they considered to be the range of reasonably likely outcomes; • Obtaining audit evidence via legal confirmations from, or discussions with, external counsel in order to assess the enforceability of collateral held; • Engaging our forensic investigations specialists, insolvency specialists and senior staff in our China practice to identify potential contrary evidence which would have an impact on the valuation. We performed full audit procedures over this risk area for two components, which covered 99% (2018: 98%) of the risk amount.	Based on the controls and substantive testing performed the valuation of the Level 3 positions, as disclosed in the financial statements, was concluded to be within a reasonable range of expected outcomes.

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
IT systems and controls impacting financial reporting		
The group audit relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to: • User access management across application, database and operating systems; • Changes to the IT environment, including transformation that changes the IT landscape; • IT operational controls; and • IT application or IT-dependent controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.	We: • Evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting; • Tested the operating effectiveness of key automated controls for in scope business processes, including automated calculations; • Tested the completeness and accuracy of system and data feeds; and • Tested key system migrations which occurred during the year, including where positions were transferred between front office trading systems.	We identified control deficiencies in relation to user access, monitoring database changes and manage change controls. In response to these findings we performed the following additional testing procedures to mitigate the risks identified: • Where inappropriate access was identified, we understood the nature of the access and, where possible, obtained further evidence to support the appropriateness of any activities performed; • Tested downstream compensating business controls; and • Incremental substantive testing in relation to external confirmations and key year-end reconciliations. We are satisfied, based on the initial and additional testing outlined above, that the findings identified in relation to the IT control environment relevant to the financial statements have not resulted in any material misstatement.
Provision for uncertain tax positions		
Refer to the Annual Report (page 108); Accounting policies (page 167); Key Management Assumptions (page 169); and Note 9 of the Consolidated Financial Statements (page 178) There are certain legacy structured transactions within Investec Bank plc where the outcome is uncertain and will only be determined upon the resolution of negotiation or litigation with HMRC. Consequently, management makes judgments about the size of potential liabilities which are subject to change in future periods as more information becomes available. The level of risk has not materially changed from the prior year.	We examined the latest court rulings and analysis performed by management which set out the basis for the judgments in relation to material tax exposures. We also inspected the correspondence between the group and its external advisors and between the group and HMRC. In addition, we obtained confirmation from the group's external legal counsel as to the current status of proceedings. Using our tax specialists, we have considered the matters in dispute and used our knowledge of the law to assess the available evidence and the provisions made by management. We also evaluated the calculation of the exposure and the appropriateness of the disclosure in relation to the uncertain tax positions. We performed full scope audit procedures over this risk area in the component impacted by the risk.	Based on the information that is currently available we concur with management's judgment in respect of the level of provisions held in respect of uncertain tax positions and the disclosure presented in the financial statements.

In this auditor's report we have included one new key audit matter in relation to:

- IT systems and controls impacting financial reporting: this was added due to the findings and required incremental testing during the year in relation to the IT system and controls.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements.

We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

We performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size. For two other components ("specified procedures scope components") we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Entity	*Scoping*
Investec Bank plc – parent company	Full
Investec Wealth & Investment Limited*	Full
Investec Channel Islands	Full
Investec Australia	Specified Procedures
Investec Switzerland	Specified Procedures

* *This component is audited by KPMG LLP.*

The reporting components where we performed audit procedures accounted for 96% (2018: 95%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 96% (2018: 93%) of the group's revenue and 99% (2018: 98%) of the group's total assets.

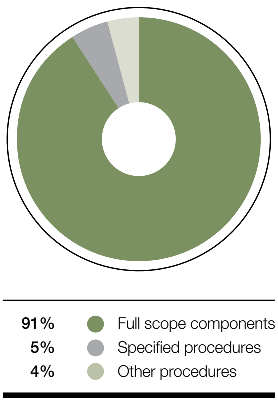
For the current year, the full scope components contributed 91% (2018: 85%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 90% (2018: 88%) of the group's revenue and 98% (2018: 97%) of the group's total assets.

The components allocated specified audit procedures contributed 5% (2018: 10%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles, 6% (2018: 5%) of the group's revenue and 1% (2018: 1%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

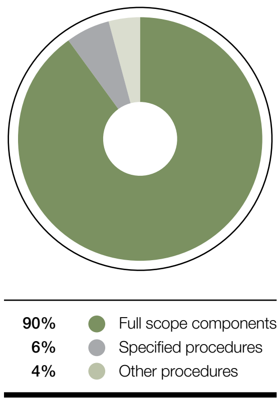
The remaining components represent 4% (2018: 5%) of the group's adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and for those components we performed analytical review.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

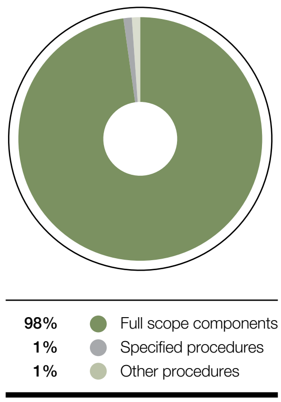
Operating profit before impairment of goodwill and amortisation of acquired intangibles



Revenue



Total assets



Changes from the prior year

The only scope change in the current year, is that of Investec Switzerland being allocated specified audit procedures scope (2018: review scope).

Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The primary audit engagement team interacted regularly with the component audit teams where appropriate throughout the course of the audit, which included planning meetings, maintaining regular communications on the status of the audits, year-end meetings (including review of key working papers) and taking responsibility for the scope and direction of the audit process. We also attended audit team meetings with component management and component Audit Committees.

The primary audit engagement team also participated in meetings with key management personnel in the components and implemented a programme of visits. These visits involved discussing the audit approach with the component team and any issues arising from their work, as well as meeting with local management.

This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £15.5 million (2018: £10.7 million), which is 7.5% (2018: 7.5%) of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles. We believe that an adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles provides us with the most appropriate measure to reflect the performance of the group. We have adjusted the operating profit before impairment of goodwill and amortisation of acquired intangibles for certain one-off transactions in the period. During the course of our audit, we reassessed initial materiality and determined there were no significant changes to be made to our materiality calculations. There has been no change in the basis from the prior year.

We determined materiality for the Parent Company to be £7.6 million (2018: £6.1 million), which is 1% (2018: 1%) of distributable equity. There has been no change in the basis from the prior year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2018: 50%) of our planning materiality, namely £7.7 million (2018: £5.3 million). We have set performance materiality at this percentage based on our understanding of the group and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.8 million to £5.1 million (2018: £1.3 million to £3.5 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.8 million (2018: £0.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and accounts, including the Strategic and Directors' Report (set out on pages 138 and 139), Financial Review (set out on pages 20 to 25), Risk Management (set out on pages 27 to 88), Corporate Governance (set out on pages 89 to 116), Remuneration Report (set out on pages 118 to 136), Definitions (set out on page 283), Contact Details (set out on pages 284 and 285) and Corporate information (set out on page 286), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 139, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the group and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - The regulations, licence conditions and supervisory requirements of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA)
  - Companies Act 2006
  - Financial Reporting Council (FRC) reporting requirements
  - Tax Legislation
- We obtained a general understanding of how Investec Bank plc complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the group and company and regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and company's approach to governance, demonstrated by the Board's approval of the group and company's governance framework and the Board's review of the group's risk management framework and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have

been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.

- The group and company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by considering the controls that the group and company has established to address risks identified by the group and company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify any significant items inappropriately held in suspense and also any significant inappropriate adjustments made to the accounting records.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the group on 8 November 1996 to audit the financial statements for the year ending 31 March 1997 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 23 years, covering the years ending 31 March 1997 to 31 March 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Kenneth Eglinton
(Senior statutory auditor)

for and on behalf of
Ernst & Young LLP,

Statutory Auditor

London
13 June 2019

Notes:

1. The maintenance and integrity of the Investec Bank plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

£'000	Notes	Year to 31 March 2019	Year to 31 March 2018
Interest income	2	727 742	598 494
Interest income calculated using effective interest method		593 928	^
Other interest income		133 814	^
Interest expense	2	(336 363)	(248 876)
Net interest income		**391 379**	**349 618**
Fee and commission income	3	523 247	504 606
Fee and commission expense	3	(12 366)	(10 094)
Investment income	4	34 236	68 943
Share of post taxation profit of associates and joint venture holdings	28	2 830	1 444
Trading income arising from			
– customer flow		86 766	114 502
– balance sheet management and other trading activities		12 732	2 838
Other operating income	5	10 476	8 290
Total operating income before expected credit losses/impairment losses		**1 049 300**	**1 040 147**
Expected credit loss impairment charges*	6	(24 991)	–
Impairment losses on loans and advances*	6	–	(106 085)
Operating income		**1 024 309**	**934 062**
Operating costs	7	(819 169)	(797 049)
Depreciation on operating leased assets	31	(2 137)	(2 350)
Operating profit before goodwill and acquired intangibles		**203 003**	**134 663**
Amortisation of acquired intangibles	34	(12 958)	(13 273)
Operating profit		**190 045**	**121 390**
Financial impact of group restructures	7	(12 853)	–
Profit before taxation		**177 192**	**121 390**
Taxation on operating profit before goodwill and acquired intangibles	9	(27 216)	(27 651)
Taxation on goodwill, acquired intangibles and financial impact of group restructures	9	4 822	2 418
Profit after taxation		**154 798**	**96 157**
Loss attributable to non-controlling interests		4 479	1 684
Earnings attributable to shareholder		**159 277**	**97 841**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*
^ *As permitted by IFRS 9, the group has elected not to restate comparative annual financial statements.*

£'000	Notes	**Year to 31 March 2019**	Year to 31 March 2018
Profit after taxation		**154 798**	**96 157**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Gains on realisation of debt instruments at FVOCI recycled through the income statement*^	9	(1 907)	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*^		1 517	–
Gains on realisation of available-for-sale assets recycled through income statement*^		–	(1 278)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*^		–	4 525
Foreign currency adjustments on translating foreign operations		2 381	(14 187)
Items that will never be reclassified to the income statement:			
Effect of rate change on deferred tax relating to adjustment for IFRS 9		(1 572)	–
Gains attributable to own credit risk*		9 104	–
Total comprehensive income		**164 321**	**85 217**
Total comprehensive income attributable to non-controlling interests		(4 891)	(1 186)
Total comprehensive income attributable to ordinary shareholders		157 958	82 167
Total comprehensive income attributable to Additional Tier 1 securities		11 254	4 236
Total comprehensive income		**164 321**	**85 217**

* *Net of taxation (except for the impact of rate changes on deferred tax as shown separately above).*

^ *Following the adoption of IFRS 9, "Financial Instruments" on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

CONSOLIDATED BALANCE SHEETS

		Group		
For the year to 31 March **£'000**	Notes	**2019**	1 April 2018*	2018
Assets				
Cash and balances at central banks	17	4 445 430	3 487 716	3 487 768
Loans and advances to banks	18	954 938	772 231	772 984
Reverse repurchase agreements and cash collateral on securities borrowed	19	633 202	750 102	750 428
Sovereign debt securities	20	1 298 947	1 155 472	1 155 472
Bank debt securities	21	52 265	113 274	107 938
Other debt securities	22	508 142	281 939	288 349
Derivative financial instruments	23	642 530	604 848	610 201
Securities arising from trading activities	24	798 224	701 728	701 728
Investment portfolio	25	486 493	472 083	472 083
Loans and advances to customers	26	10 488 022	9 539 858	9 663 172
Other loans and advances	26	246 400	415 666	417 747
Other securitised assets	27	118 143	132 172	132 172
Interests in associated undertakings and joint venture holdings	28	8 855	6 414	6 414
Deferred taxation assets	29	133 344	148 636	84 599
Other assets	30	847 604	1 013 440	1 013 440
Property and equipment	31	94 714	53 183	53 183
Investment properties	32	14 500	14 500	14 500
Goodwill	33	260 858	261 075	261 075
Intangible assets	34	88 409	103 972	103 972
		22 121 020	**20 028 309**	**20 097 225**
Liabilities				
Deposits by banks		1 318 776	1 295 847	1 295 847
Derivative financial instruments	23	719 027	533 319	533 319
Other trading liabilities	36	80 217	103 496	103 496
Repurchase agreements and cash collateral on securities lent	19	314 335	168 640	168 640
Customer accounts (deposits)		13 499 234	11 969 625	11 969 625
Debt securities in issue	37	2 050 141	1 942 869	1 942 869
Liabilities arising on securitisation of other assets	27	113 711	127 853	127 853
Current taxation liabilities		136 818	135 517	135 517
Deferred taxation liabilities	29	21 341	22 120	22 120
Other liabilities	38	900 493	1 014 956	1 009 099
		19 154 093	**17 314 242**	**17 308 385**
Subordinated liabilities	40	803 699	716 564	579 673
		19 957 792	**18 030 806**	**17 888 058**
Equity				
Ordinary share capital	41	1 186 800	1 186 800	1 186 800
Share premium		143 288	143 288	143 288
Capital reserve		162 789	162 789	162 789
Other reserves		(19 647)	(56 014)	7 344
Retained income		447 924	363 700	512 006
Shareholder's equity excluding non-controlling interests		**1 921 154**	**1 800 563**	**2 012 227**
Additional Tier 1 securities in issue	42	250 000	200 000	200 000
Non-controlling interests in partially held subsidiaries	43	(7 926)	(3 060)	(3 060)
Total equity		**2 163 228**	**1 997 503**	**2 209 167**
Total liabilities and equity		**22 121 020**	**20 028 309**	**20 097 225**

* *The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparatives as at 31 March 2018 on an IAS 39 basis.*

		Company		
For the year to 31 March **£'000**	Notes	**2019**	1 April 2018*	2018
Assets				
Cash and balances at central banks	17	4 416 585	3 403 189	3 403 196
Loans and advances to banks	18	226 974	274 547	275 031
Reverse repurchase agreements and cash collateral on securities borrowed	19	633 202	750 102	750 428
Sovereign debt securities	20	725 756	489 454	489 454
Bank debt securities	21	52 265	113 274	107 938
Other debt securities	22	1 027 786	804 011	810 119
Derivative financial instruments	23	587 326	588 943	594 295
Securities arising from trading activities	24	791 107	694 974	694 974
Investment portfolio	25	100 083	165 421	165 421
Loans and advances to customers	26	7 724 160	7 100 344	7 204 546
Other loans and advances	26	2 735 286	2 497 032	2 501 592
Other securitised assets	27	6 831	7 000	7 000
Interests in associated undertakings and joint venture holdings	28	610	571	571
Deferred taxation assets	29	98 008	110 002	47 715
Other assets	30	541 607	704 889	704 889
Property and equipment	31	49 891	8 030	8 030
Intangible assets	34	120	308	308
Investments in subsidiaries	55	864 539	877 986	877 986
		20 582 136	**18 590 077**	**18 643 493**
Liabilities				
Deposits by banks		1 516 768	1 712 877	1 712 877
Derivative financial instruments	23	680 878	525 911	525 911
Other trading liabilities	36	80 217	103 496	103 496
Repurchase agreements and cash collateral on securities lent	19	314 335	168 640	168 640
Customer accounts (deposits)		12 659 032	10 971 981	10 971 981
Debt securities in issue	37	2 011 998	1 903 560	1 903 560
Current taxation liabilities		94 160	71 845	71 845
Deferred taxation liabilities	29	4 595	2 943	2 943
Other liabilities	38	583 269	655 678	650 497
		17 945 252	**16 116 930**	**16 111 750**
Subordinated liabilities	40	803 699	717 420	580 529
		18 748 951	**16 834 350**	**16 692 279**
Equity				
Ordinary share capital	41	1 186 800	1 186 800	1 186 800
Share premium		143 288	143 288	143 288
Capital reserve		162 789	162 789	162 789
Other reserves		(23 904)	(56 726)	(3 033)
Retained income		114 212	119 576	261 370
Shareholder's equity excluding non-controlling interests		**1 583 185**	**1 555 727**	**1 751 214**
Additional Tier 1 securities in issue	42	250 000	200 000	200 000
Total equity		**1 833 185**	**1 755 727**	**1 951 214**
Total liabilities and equity		**20 582 136**	**18 590 077**	**18 643 493**

The company's profit for the year, determined in accordance with the Companies Act 2006, was £69.3 million (2018: £81.0 million).

* *The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis.*

		Group		Company	
For the year to 31 March **£'000**	Notes	**2019**	2018	**2019**	2018
Profit before taxation adjusted for non-cash items	45	234 248	255 649	96 343	160 280
Taxation paid		(74 301)	(40 581)	(38 234)	(2 130)
Increase in operating assets	45	(1 183 864)	(1 262 949)	(1 032 428)	(1 959 704)
Increase in operating liabilities	45	1 930 219	1 487 703	1 892 055	2 118 891
Net cash inflow/(outflow) from operating activities		**906 302**	**439 822**	**917 736**	**317 338**
Cash flow on acquisition of group operations		–	–	(15 736)	(4 488)
Cash flow on disposal of non-controlling interest		25	126	–	–
Cash flow on net acquisition of associates and joint venture holdings		(327)	17 430	–	–
Cash flow on acquisition of property, equipment and intangible assets		(63 537)	(15 738)	(49 966)	(7 314)
Cash flow on disposal of property, equipment and intangible assets		2 998	2 086	1 099	8 750
Return of capital by subsidiary		–	–	29 123	29 344
Net cash (outflow)/inflow from investing activities		**(60 841)**	**3 904**	**(35 480)**	**26 292**
Dividends paid to ordinary shareholder		(35 000)	(53 000)	(35 000)	(53 000)
Dividends paid to other equity holders		(11 254)	(4 236)	(11 254)	(4 236)
Proceeds from issue of debt instruments		415 687	–	415 687	–
Redemption of debt instruments		(335 541)	–	(335 541)	–
Proceeds on issue of Additional Tier 1 securities		50 000	200 000	50 000	200 000
Net cash inflow from financing activities		**83 892**	**142 764**	**83 892**	**142 764**
Effects of exchange rates on cash and cash equivalents		**(3 994)**	**(2 571)**	**(264)**	**792**
Net increase in cash and cash equivalents		**925 359**	**583 919**	**965 884**	**487 186**
Cash and cash equivalents at the beginning of the year		4 122 721	3 538 802	3 651 301	3 164 115
Cash and cash equivalents at the end of the year		**5 048 080**	**4 122 721**	**4 617 185**	**3 651 501**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		4 445 430	3 487 768	4 416 585	3 403 196
On-demand loans and advances to banks		602 650	634 953	200 600	248 105
Cash and cash equivalents at the end of the year		**5 048 080**	**4 122 721**	**4 617 185**	**3 651 301**

Cash and cash equivalents have a maturity profile of less than three months.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Share premium	Capital reserve account
At 31 March 2017	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2017 – 31 March 2018			
Profit after taxation	–	–	–
Losses on realisation of available-for-sale assets recycled through the income statement	–	–	–
Fair value movements on available-for-sale assets	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of Additional Tier 1 security instruments	–	–	–
Dividends paid to ordinary shareholder	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2018	**1 186 800**	**143 288**	**162 789**
Adoption of IFRS 9	–	–	–
At 1 April 2018	**1 186 800**	**143 288**	**162 789**
Movement in reserves 1 April 2018 – 31 March 2019			
Profit after taxation	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–
Gains attributable to own credit risk	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**
Share-based payments adjustments	–	–	–
Issue of Additional Tier 1 security instruments	–	–	–
Dividends paid to ordinary shareholders	–	–	–
Dividends declared to Additional Tier 1 security holders	–	–	–
Dividends paid to Additional Tier 1 security holders	–	–	–
Transfer own credit reserve on sale of subordinated liabilities	–	–	–
Net equity impact of non-controlling interest movements	–	–	–
At 31 March 2019	**1 186 800**	**143 288**	**162 789**

^ *Following the adoption of IFRS 9, Financial Instruments on 1 April 2018, the fair value reserve was introduced replacing the available for sale reserve.*

Other reserves							
Available-for-sale reserve/ Fair value reserve^	**Foreign currency reserve**	**Own credit reserve**	**Retained income**	**Shareholder's equity excluding non-controlling interests**	**Additional Tier 1 securities in issue**	**Non-controlling interests**	**Total equity**
7 243	**11 539**	**–**	**470 272**	**1 981 931**	**–**	**(2 000)**	**1 979 931**
–	–	–	97 841	97 841	–	(1 684)	96 157
(1 278)	–	–	–	(1 278)	–	–	(1 278)
4 525	–	–	–	4 525	–	–	4 525
–	(14 685)	–	–	(14 685)	–	498	(14 187)
3 247	**(14 685)**	**–**	**97 841**	**86 403**	**–**	**(1 186)**	**85 217**
–	–	–	1 129	1 129	–	–	1 129
–	–	–	–	–	200 000	–	200 000
–	–	–	(53 000)	(53 000)	–	–	(53 000)
–	–	–	(4 236)	(4 236)	4 236	–	–
–	–	–	–	–	(4 236)	–	(4 236)
–	–	–	–	–	–	126	126
10 490	**(3 146)**	**–**	**512 006**	**2 012 227**	**200 000**	**(3 060)**	**2 209 167**
(7 970)	–	(55 388)	(148 306)	(211 664)	–	–	(211 664)
2 520	**(3 146)**	**(55 388)**	**363 700**	**1 800 563**	**200 000**	**(3 060)**	**1 997 503**
–	–	–	159 277	159 277	–	(4 479)	154 798
(47)	–	(817)	(708)	(1 572)	–	–	(1 572)
(1 907)	–	–	–	(1 907)	–	–	(1 907)
1 517	–	–	–	1 517	–	–	1 517
1	2 792	–	–	2 793	–	(412)	2 381
–	–	9 104	–	9 104	–	–	9 104
(436)	**2 792**	**8 287**	**158 569**	**169 212**	**–**	**(4 891)**	**164 321**
–	–	–	(2 367)	(2 367)	–	–	(2 367)
–	–	–	–	–	50 000	–	50 000
–	–	–	(35 000)	(35 000)	–	–	(35 000)
–	–	–	(11 254)	(11 254)	11 254	–	–
–	–	–	–	–	(11 254)	–	(11 254)
–	–	25 724	(25 724)	–	–	–	–
–	–	–	–	–	–	25	25
2 084	**(354)**	**(21 377)**	**447 924**	**1 921 154**	**250 000**	**(7 926)**	**2 163 228**

£'000	Ordinary share capital	Share premium account
Company		
At 31 March 2017	**1 186 800**	**143 288**
Movement in reserves 1 April 2017 – 31 March 2018		
Profit after taxation	–	–
Losses on realisation of available-for-sale assets recycled through the income statement	–	–
Fair value movements on available-for-sale assets	–	–
Foreign currency adjustments on translating foreign operations	–	–
Total comprehensive income for the year	**–**	**–**
Share-based payments adjustments	–	–
Issue of Additional Tier 1 security holders	–	–
Dividends paid to ordinary shareholder	–	–
Dividends declared to Additional Tier 1 security holders	–	–
Dividends paid to Additional Tier 1 security holders	–	–
At 31 March 2018	**1 186 800**	**143 288**
Adjustment for IFRS 9	–	–
At 1 April 2018	**1 186 800**	**143 288**
Movement in reserves 1 April 2018 – 31 March 2019	–	–
Profit after taxation	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–
Foreign currency adjustments on translating foreign operations	–	–
Gains attributable to own credit risk	–	–
Total comprehensive income for the year	**–**	**–**
Share-based payments adjustments	–	–
Issue of Other Additional Tier 1 security instruments	–	–
Dividends paid to ordinary shareholders	–	–
Dividends declared to Additional Tier 1 security holders	–	–
Dividends paid to Additional Tier 1 security holders	–	–
Transfer own credit reserve on sale of subordinated liabilities	–	–
At 31 March 2019	**1 186 800**	**143 288**

^ *Following the adoption of IFRS 9 Financial Instruments on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

Other reserves							
Capital reserve account	Available-for-sale reserve/Fair value reserve^	Foreign currency reserves	Own-Credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Additional Tier 1 securities in issue	**Total equity**
162 789	**(1 656)**	**(762)**		**236 191**	**1 726 650**	**–**	**1 726 650**
–	–	–		80 989	80 989	–	80 989
–	75	–		–	75	–	75
–	2 359	–		–	2 359	–	2 359
–	–	(3 049)		–	(3 049)	–	(3 049)
–	**2 434**	**(3 049)**		**80 989**	**80 374**	**–**	**80 374**
–	–	–		1 426	1 426	–	1 426
–	–	–		–	–	200 000	200 000
–	–	–		(53 000)	(53 000)	–	(53 000)
–	–	–		(4 236)	(4 236)	4 236	–
–	–	–		–	–	(4 236)	(4 236)
162 789	**778**	**(3 811)**	**–**	**261 370**	**1 751 214**	**200 000**	**1 951 214**
–	1 695	–	(55 388)	(141 794)	(195 487)	–	(195 487)
162 789	**2 473**	**(3 811)**	**(55 388)**	**119 576**	**1 555 727**	**200 000**	**1 755 727**
–	–	–	–	69 336	69 336	–	69 336
–	(47)	–	(817)	(708)	(1 572)	–	(1 572)
–	(1 907)	–	–	–	(1 907)	–	(1 907)
–	1 493	–	–	–	1 493	–	1 493
–	–	(728)	–	–	(728)	–	(728)
–			9 104	–	9 104	–	9 104
–	**(461)**	**(728)**	**8 287**	**68 628**	**75 726**		**75 726**
–	–	–	–	(2 014)	(2 014)	–	(2 014)
–	–	–	–	–	–	50 000	50 000
–	–	–	–	(35 000)	(35 000)	–	(35 000)
–	–	–	–	(11 254)	(11 254)	11 254	–
–	–	–	–	–	–	(11 254)	(11 254)
–	–	–	25 724	(25 724)	–	–	–
162 789	**2 012**	**(4 539)**	**(21 377)**	**114 212**	**1 583 185**	**250 000**	**1 833 185**

Basis of presentation

These group and company annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2019, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group and company annual financial statements have been prepared on a historical cost basis, except for investment properties, debt instruments at FVOCI, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting.

On 1 April 2018 the group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments. These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model as opposed to an incurred loss methodology under IAS 39. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting, which the group has exercised.

The accounting policies related to financial instruments have significantly changed and the disclosure of the impact of IFRS 9 is included in note 56.

Additionally, on 1 April 2018 the group adopted IFRS 15 'Revenue from contracts with customers' which replaced IAS 18 'Revenue'. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for obligations as they are satisfied. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The group's measurement and recognition principles were aligned to the new standard and hence there has been no material impact on measurement and recognition principles or on disclosure requirements from the adoption of IFRS 15.

No profit or loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 27 to 85. Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 118 to 136.

Restatements and presentation of information

The accounting policies adopted by the group are consistent with the prior year except as noted above in relation to the adoption of IFRS 9 and IFRS 15.

Basis of consolidation

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between the group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The group also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate and joint venture holdings.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

Investments in subsidiaries and interests in associated undertakings and joint venture holdings are carried at their cost less any accumulated impairment in the company and joint venture holdings financial statements.

All intergroup balances, transactions and unrealised gains or losses within the group that, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate and joint venture holdings.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision-makers, which include members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's two principal business divisions, namely, Wealth & Investment and Specialist Banking.

For further detail on the group's segmental reporting basis, refer to the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees. These are the shares of the company's parent, Investec plc, and are accounted for as equity-settled share-based payments at an Investec plc level but, in accordance with IFRS 2, as cash-settled share-based payment transactions by subsidiaries of Investec plc.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met, with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec Bank plc.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise, based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined

using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is reclassified in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Interest income on debt instruments at amortised cost or FVOCI is recognised in the income statement using the effective interest rate method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transactions costs.

The effective interest rate method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit and loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and also includes rental income from investment properties.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price, allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established and the cash is received.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings and joint venture holdings and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost.
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI.
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the entity's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation below.

The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment. Loss allowances are forward-looking, based on 12-month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected credit losses.

Expected credit losses are a probability- weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, credit losses are rebased from 12-month to lifetime expectations. A change in credit risk is typically but not necessarily associated with a change in the expected cash flows.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Financial assets where 12-month ECL is recognised are considered to be 'stage 1', financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2', and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit-impaired are in 'stage 3'.

The group calculates the credit-adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- they eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- a financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss

Changes in own credit risk on financial liabilities designated at fair value are recognised in other comprehensive income. Any other changes are recognised in the income statement.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Day-One profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit or loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

The group applies either fair value or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item
- A hedge is expected to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- The effectiveness of the hedge can be reliably measured, i.e. the fair value of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec Bank plc are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec Bank plc shareholder.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lender's return, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset/assets, even if that right is not explicitly specified in an arrangement.

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where the instalment credit transactions are credited or debited to the income statement in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

- Computer and related equipment 20% to 30%
- Motor vehicles 10% to 25%
- Furniture and fittings 10% to 20%
- Freehold buildings 2%
- Leasehold property and improvements.*

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property depreciation rates are determined by reference to the period of the lease.*

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment properties are calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

Intangible assets with a finite life are amortised over the useful economic life of the asset (currently three to 20 years) on a straight-line basis. The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets

At each balance sheet, date the group reviews the carrying value of non-financial assets, other than investment properties for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified.

Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under management.

Taxation and deferred taxation

Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Employee benefits

The group operates various defined contribution schemes. In addition, employees of the bank participate in one closed defined benefit scheme along with employees of other subsidiary undertakings of Investec plc, the bank's parent.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

As there is no contractual agreement or stated policy for charging the net defined benefit cost for the defined benefit plans as a whole measured in accordance with IAS 19 to individual Investec plc group entities, the bank accounts for these schemes on a defined contribution basis.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on balance sheet.

Standards and interpretations issued but not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019 and was endorsed by the European Union in November 2017. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Leases.

Lessees will be required to recognise a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease.

As permitted by the standard the group will apply IFRS 16 on a modified retrospective basis without restating prior years. The group has elected to take advantage of the following transition options on transition at 1 April 2019:

- apply IFRS 16 to contracts previously identified as leases by IAS 17
- calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- use the incremental borrowing rate as the discount rate for property leases
- not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- rely on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets crated on 1 April 2019. Where this is the case the carrying amount of the assets will be adjusted by the onerous lease provision.

The expected impact of adopting IFRS 16 is:

- Group: an increase in assets of £471 million, an increase in liabilities of £500 million with no impact on retained earnings; and
- Company: an increase in assets of £96 million, an increase in liabilities of £113 million with no impact on retained earnings.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The IFRS 17 is effective from 1 January 2021, and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Amendment to IAS 12 Income Taxes

An amendment to IAS 12 was issued in December 2017 as part of the annual improvement cycle. The amendment clarifies that an entity should recognise the tax consequences of dividends where the transactions or events that generated the distributable profits are recognised. This amendment is effective for annual reporting periods beginning on or after 1 January 2019 and is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period. As a result of its application, the income tax consequences of distributions relating to Additional Tier 1 securities classified as equity will be presented in the income statement rather than directly in equity. If the amendment had been applied in these financial statements the impact for the year ended 31 March 2019 would have been a £2.6 million increase in profit after tax (2018: £1.0 million) with no effect on equity.

Key management assumptions

In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 14.

  The group's investment portfolio contains historic investments and loans in China and Hong Kong totalling £149.3 million. The realisation of approximately £69 million of this portfolio is subject to significant uncertainty and the valuation is our assessment based on available information. Due to the nature of the investments it is not always possible to independently verify all the information used as inputs to the valuation. As a consequence the recoverability of these investments is uncertain and changes in assumptions or circumstances may lead to volatility in valuations. The range of valuation uncertainty of this £69 million has been set out separately from the other China and Hong Kong investments and fair value loans in the level 3 sensitivity analysis set out in note 14.

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 58 to 59.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk: determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology and results of the group's assessment of ECLs can be found on page 35 to 37.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group.

The nature of any assumptions made, when calculating the carrying amounts relating to any estimated tax which could be payable as a result of decisions by tax authorities in respect of any such transactions and events whose treatment for tax purposes, is uncertain. In making any estimates, management's judgement would be based on various factors, including any such transactions and events whose treatment for tax purposes, is uncertain. In making any estimates, management's judgement has been based on various factors, including:

– The current status of tax audits and enquiries

– The current status of discussions and negotiations with the relevant tax authorities

– The results of any previous claims

– Any changes to the relevant tax environments.

The group from time to time has ongoing open enquiries with the tax authorities, some of which are going through legal proceedings. Where appropriate, the group has utilised expert external advice as well as experience of similar situations elsewhere in making provisions based on a number of possible outcomes to any dispute. In the UK, one such dispute is currently ongoing for which the group has made a provision. There have not been any significant adjustments to the provision during the year. A payment on account of £67 million has been made without admission of liability in order to prevent the accrual of interest on this amount. Any final outcome of the case could lead to an outcome lower or higher than the provision held. No final outcome is expected in the short term. The group has not disclosed details of the amount of the provision or the sensitivities relating to the calculation of the provision as these are considered to prejudice seriously the position of the group in its legal claims.

Segmental business analysis – income statement For the year ended 31 March 2019 £'000	Wealth & Investment	Specialist Banking	Total group

1. Consolidated segmental analysis

	Wealth & Investment	Specialist Banking	Total group
Net interest income	9 189	382 190	391 379
Fee and commission income	306 165	217 082	523 247
Fee and commission expense	(724)	(11 642)	(12 366)
Investment income	1 185	33 051	34 236
Share of post taxation profit of associates and joint venture holdings	–	2 830	2 830
Trading income arising from			
– customer flow	793	85 973	86 766
– balance sheet management and other trading activities	(1)	12 733	12 732
Other operating income	342	10 134	10 476
Total operating income before expected credit losses	**316 949**	**732 351**	**1 049 300**
Expected credit loss impairment charges*	(24)	(24 967)	(24 991)
Operating income	**316 925**	**707 384**	**1 024 309**
Operating costs	(260 561)	(558 608)	(819 169)
Depreciation on operating leased assets	–	(2 137)	(2 137)
Operating profit before goodwill and acquired intangibles	**56 364**	**146 639**	**203 003**
Loss attributable to other non-controlling interests	–	4 479	4 479
Operating profit before goodwill and acquired intangibles and after other non-controlling interests	**56 364**	**151 118**	**207 482**
Selected returns and key statistics			
Cost to income ratio**	82.2%	76.0%	77.9%
Total assets (£'million)	866	21 255	22 121

Segmental business analysis – income statement For the year to 31 March 2018 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	5 181	344 437	349 618
Fee and commission income	297 629	206 977	504 606
Fee and commission expense	(722)	(9 372)	(10 094)
Investment income	10 446	58 497	68 943
Share of post taxation profit of associates and joint venture holdings	416	1 028	1 444
Trading income arising from			
– customer flow	1 032	113 470	114 502
– balance sheet management and other trading activities	(7)	2 845	2 838
Other operating income	235	8 055	8 290
Total operating income before impairment on loans and advances	**314 210**	**725 937**	**1 040 147**
Impairment losses on loans and advances*	–	(106 085)	(106 085)
Operating income	**314 210**	**619 852**	**934 062**
Operating costs	(244 940)	(552 109)	(797 049)
Depreciation on operating leased assets	–	(2 350)	(2 350)
Operating profit before goodwill and acquired intangibles	**69 270**	**65 393**	**134 663**
Loss attributable to non-controlling interests	–	1 684	1 684
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**69 270**	**67 077**	**136 347**
Selected returns and key statistics			
Cost to income ratio**	78.0%	76.1%	76.7%
Total assets (£'million)	996	19 101	20 097

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*
** *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. Refer to definitions page.*

For the year to 31 March 2019 £'000	Notes	Balance sheet value	Interest income
2. Net interest income			
Cash, near cash and bank debt and sovereign debt securities	1	7 384 782	61 821
Core loans and advances	2	10 488 022	582 915
Private client		4 197 181	169 702
Corporate, institutional and other clients		6 290 841	413 213
Other debt securities and other loans and advances		754 542	83 006
Total interest-earning assets		**18 627 346**	**727 742**

For the year to 31 March 2019 £'000	Notes	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities	3	3 683 252	126 161
Customer accounts (deposits)		13 499 234	159 151
Subordinated liabilities		803 699	51 051
Total interest-bearing liabilities		**17 986 185**	**336 363**
Net interest income			**391 379**
Net interest margin			**2.22%**

For the year to 31 March 2018 £'000	Notes	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	6 274 590	26 475
Core loans and advances	2	9 663 172	514 737
Private client		3 785 828	161 107
Corporate, institutional and other clients		5 877 344	353 630
Other debt securities and other loans and advances		706 096	57 282
Total interest-earning assets		**16 643 858**	**598 494**

For the year to 31 March 2018 £'000	Notes	Balance sheet value	Interest expense
Deposits by banks and other debt-related securities	3	3 407 356	76 206
Customer accounts (deposits)		11 969 625	117 325
Subordinated liabilities		579 673	55 345
Total interest-bearing liabilities		**15 956 654**	**248 876**
Net interest income			**349 618**
Net interest margin			**2.21%**

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers.*
3. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.*

For the year to 31 March £'000	2019	2018
3. Net fee and commission income		
Wealth management businesses net fee and commission income	**305 441**	**296 907**
Fund management fees/fees for assets under management	258 394	243 000
Private client transactional fees	47 771	54 629
Fee and commission expense	(724)	(722)
Specialist Banking net fee and commission income	**205 440**	**197 605**
Corporate and institutional transactional and advisory services	206 632	192 445
Private client transactional fees	10 450	14 532
Fee and commission expense	(11 642)	(9 372)
Net fee and commission income	**510 881**	**494 512**
Annuity fees (net of fees payable)	299 956	312 491
Deal fees	210 925	182 021

For the year to 31 March £'000	2019	2018
4. Investment income		
Realised	22 399	43 553
Unrealised	871	6 814
Dividend income	4 256	10 171
Funding and other net related income	6 710	8 405
	34 236	**68 943**

For the year to 31 March £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2019					
Realised	36 201	7 313	–	(21 115)	22 399
Unrealised^	(4 564)	1 530	–	3 905	871
Dividend income	4 256	–	–	–	4 256
Funding and other net related income	–	–	–	6 710	6 710
Total investment income/(loss)	**35 893**	**8 843**		**(10 500)**	**34 236**
2018					
Realised	38 517	5 779	(86)	(657)	43 553
Unrealised^	13 798	2 730	–	(9 714)	6 814
Dividend income	10 171	–	–	–	10 171
Funding and other net related income	–	–	–	8 405	8 405
Total investment income/(loss)	**62 486**	**8 509**	**(86)**	**(1 966)**	**68 943**

* *Including warrants and profit shares.*
^ *In a year of realisation, any prior period mark to market gains/(losses) are reversed in the unrealised line.*

For the year to 31 March £'000	2019	2018
5. Other operating income		
Rental income from properties	1 422	1 350
Gains on realisation of properties	503	411
Unrealised gains on other investments	1 489	1 474
Income from operating leases	4 853	2 697
Income from government grants	2 209	2 358
	10 476	**8 290**

For the year to 31 March £'000	2019	2018
6. Expected credit loss impairment charges or (release)/ impairment losses on loans and advances*		
Expected credit loss impairment charges/(releases) have arisen on the following line items:		
Loans and advances to customers	35 680	–
Other loans and advances	(2 835)	–
Other balance sheet assets	(6 624)	–
Off-balance sheet commitments	(1 230)	–
Impairment losses on loans and advances to customers	–	105 864
Impairment losses on other loans and advances	–	221
	24 991	**106 085**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

For the year to 31 March £'000	2019	2018
7. Operating costs		
Staff compensation costs	579 814	566 183
– Salaries and wages (including directors' remuneration)**	474 662	467 407
– Share-based payment expense	31 752	33 775
– Social security costs	46 223	39 819
– Pensions and provident fund contributions	27 177	25 182
Training and other costs	13 529	12 991
Staff costs	593 343	579 174
Premises expenses (excluding depreciation)	43 987	43 866
Equipment expenses (excluding depreciation)	42 939	45 147
Business expenses*	91 839	80 766
Marketing expenses	25 666	35 427
Depreciation, amortisation and impairment on property, equipment and intangibles	21 395	12 669
	819 169	**797 049**
Depreciation on operating leased assets	2 137	2 350
	821 306	**799 399**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:		
Ernst & Young fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**4 105**	**4 176**
Audit of the group's accounts	2 374	2 450
Audit of the group's subsidiaries pursuant to legislation	1 206	1 439
Audit related assurance services	481	288
Other assurance services	44	–
Total fees paid to the audit firm not in the capacity of being the group's auditor	**861**	**480**
Audit related assurance services	42	44
Tax compliance services	132	82
Tax advisory services	98	227
Services related to corporate finance transactions	180	–
Services related to information technology	32	40
Services related to other regulatory services	49	–
Other non-audit services	328	87
	4 966	**4 656**
KPMG fees		
Total fees paid to the audit firm by virtue of being the group's auditor	**358**	**314**
Audit of the group's subsidiaries pursuant to legislation	193	193
Audit related assurance services	165	121
Total fees paid to the audit firm not in the capacity of being the group's auditor	**106**	**265**
Tax compliance services	64	258
Tax advisory services	42	–
Services related to other regulatory services	–	4
Other non-audit services	–	3
	464	**579**
Total	**5 430**	**5 235**

* *Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.*
** *Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 117 to 136.*

Financial impact of group restructuring

Non-operational costs amounted to £12.9 million (2018: £nil) and relate primarily to the restructure of the Irish branch as a consequence of Brexit.

8. Share-based payments

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis in Investec plc but in accordance with IFRS 2 are cash settled in the company as set out in the accounting policies on page 160 to 169. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term incentive plans are provided on page 126 of the remuneration report and on our website.

For the year to 31 March **£'000**	Wealth & Investment	Specialist Banking	**Total group**
Share-based payment expense:			
Group			
2019			
Cash settled (equity-settled at group)	4 751	27 001	31 752
Total income statement charge	**4 751**	**27 001**	**31 752**
2018			
Cash settled (equity-settled at group)	4 828	28 947	33 775
Total income statement charge	**4 828**	**28 947**	**33 775**

Included in the above income statement charge is an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £nil million (2018: £3.2 million).

Group

For the year to 31 March **£'000**	**2019**	2018
Weighted average fair value of options granted in the year		
UK schemes	**35 521**	**37 640**

	2019		**2018**	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	19 645 893	0.07	22 375 489	0.06
Granted during the year	6 861 836	0.00	6 426 703	0.07
Exercised during the year^	(6 620 536)	0.02	(8 533 294)	0.04
Options forfeited during the year	(699 456)	0.52	(623 005)	0.22
Outstanding at the end of the year	**19 187 737**	**0.05**	**19 645 893**	**0.07**
Exercisable at the end of the year	**568 717**	**–**	**157 226**	**–**

^ *The weighted average share price during the year was £5.11 (2018: £5.64).*

8. Share-based payments *(continued)*

Additional information relating to options:	**2019**	2018
Options with strike prices		
Exercise price range	£5.03 – £6.00	£4.31 – £6.00
Weighted average remaining contractual life	1.29 years	1.75 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.19 years	1.94 years
Weighted average fair value of options and long-term grants at measurement date	£5.18	£5.65
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.93 – £5.59	£5.03 – £5.87
– Exercise price	£0	£nil, £5.03 – £5.87
– Expected volatility	n/a	27.44% – 28.54%
– Option life	3 – 7 years	1.5 – 7 years
– Expected dividend yields	n/a	5.59% – 6.56%
– Risk-free rate	n/a	0.62% – 0.99%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

Company

For the year to 31 March	**2019**	2018
£'000		
UK schemes	**23 699**	**21 873**

	2019		**2018**	
Details of options outstanding during the year	**Number of share options**	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	11 447 467	–	13 172 633	–
Granted during the year	4 485 151	–	3 537 772	–
Exercised during the year^	(3 878 557)	–	(4 906 469)	–
Options forfeited during the year	(411 916)	–	(356 469)	–
Outstanding at the end of the year	**11 642 145**	**–**	**11 447 467**	**–**
Exercisable at the end of the year	**348 977**	**–**	**107 971**	**–**

^ *The weighted average share price during the year was £5.11 (2018: £5.64).*

8. Share-based payments *(continued)*

Additional information relating to options:	**2019**	2018
Company		
Options with strike prices		
Exercise price range	–	–
Weighted average remaining contractual life	–	–
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.19 years	1.94 years
Weighted average fair value of options and long-term grants at measurement date	£5.27	£5.79
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.93 – £5.59	£5.03 – £5.87
– Exercise price	£0	£nil
– Expected volatility	n/a	27.44% – 28.54%
– Option life	3 – 7 years	1.5 – 7 years
– Expected dividend yields	n/a	5.59% – 6.56%
– Risk-free rate	n/a	0.62% – 0.99%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

For the year to 31 March £'000	2019	2018
9. Taxation		
Current taxation		
UK		
Current tax on income for the year	32 136	28 282
Adjustments in respect of prior years	(11 204)	4 272
Corporation tax before double tax relief	**20 932**	**32 554**
Double tax relief	–	(190)
	20 932	**32 364**
Europe	3 749	1 716
Australia	183	110
Other	(578)	16
	3 354	**1 842**
Total current taxation	**24 286**	**34 206**
Deferred taxation		
UK	(102)	(8 706)
Europe	(1 790)	359
Other	–	(626)
Total deferred taxation	**(1 892)**	**(8 973)**
Total taxation charge for the year	**22 394**	**25 233**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	27 216	27 651
Taxation on acquired intangibles and goodwill	(4 822)	(2 418)
	22 394	**25 233**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(14 073)	(9 262)
Changes in tax rates	2 408	3 977
Adjustment in respect of prior years	9 773	(3 688)
	(1 892)	**(8 973)**
The deferred taxation charge/(credit) in Income Statement arise from:		
Deferred capital allowances	6 109	(8 838)
Income and expenditure accruals	201	(1 918)
Asset in respect of unexpired options	(46)	2 022
Unrealised fair value adjustment on financial instruments	(1 240)	88
Losses carried forward	(4 577)	1 609
Asset/(Liability) in respect of pension deficit/(surplus)	33	(315)
Deferred tax on acquired intangibles	(2 197)	(1 866)
Other temporary differences	(175)	245
	(1 892)	**(8 973)**
The deferred taxation charge/(credit) in OCI/Equity arise from:		
Asset in respect of unexpired options	3 991	508
Unrealised fair value adjustment on financial instruments	(51 343)	(1 869)
Other temporary differences	(277)	243
	(47 629)	**(1 118)**

For the year to 31 March £'000	2019	2018
9. Taxation *(continued)*		
	%	%
The rates of corporation tax for the relevant years are:		
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**177 192**	**121 390**
Taxation on profit before taxation	**22 394**	**25 233**
Effective tax rate	**12.6%**	**20.8%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2018: 19%)	33 666	23 065
Taxation adjustments relating to foreign earnings	(1 767)	(442)
Taxation relating to prior years	(1 433)	585
Goodwill and non-operating items	126	156
Share options accounting expense	2 012	(116)
Non-taxable income	(2 019)	(1 410)
Net other permanent differences	2 999	5 397
Capital gains – non-taxable/covered by losses	(5 539)	(1 564)
Movement in unrecognised trading losses	(8 061)	(4 415)
Change in tax rate	2 410	3 977
Total taxation charge as per income statement	**22 394**	**25 233**
Other comprehensive income taxation effects		
Gains on realisation of debt instruments at FVOCI/available-for-sale instruments assets recycled through the income statement	(1 907)	(1 278)
Pre-taxation	(2 355)	(1 260)
Taxation effect	448	(18)
Fair value movements on debt instruments at FVOCI/available-for-sale instruments taken directly to other comprehensive income	1 470	4 525
Pre-taxation	2 056	4 050
Taxation effect	(586)	475
Own credit risk	7 579	–
Pre-taxation	12 017	–
Taxation effect	(4 438)	–
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(11 254)	(4 236)
Pre-taxation	(13 894)	(5 230)
Taxation effect	2 640	994
Share-based payment adjustment	(2 139)	1 540
Pre-taxation	–	–
Taxation effect	(2 139)	1 540
IFRS 9 transitional adjustments	(211 664)	–
Pre-taxation	(275 732)	–
Taxation effect	64 068	–

For the year to 31 March £'000	2019	2018
10. Dividends		
Ordinary dividends		
Interim dividends for current year	35 000	53 000
Total dividends attributable to ordinary shareholder	**35 000**	**53 000**

For the year to 31 March £'000	2019	2018
Dividend attributable to Additional Tier 1 securities	**11 254**	**4 236**

The £200 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1 securities'), issued on 16 October 2018, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 December 2018.

A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible, with the £200 000 000 2024 notes issued on 16 October 2018.

The dividend is shown net of UK corporation tax.

For the year to 31 March £'000	2019	2018
11. Operating lease income and expense		
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	28 014	19 381
Sublease income	(2 443)	(2 586)
	25 571	**16 795**
Operating lease income recognised in income:		
Minimum lease payments	30 907	2 660
Sublease payments	(35 760)	–
	(4 853)	**2 660**

The majority of the operating lease expenses in the group relate to leases on property. Rental income from leasing motor vehicles and properties is included in 'Other operating income'. During the current year, Investec Bank plc entered into client transactions where the group has a head lease and sublease arrangement with external parties.

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12. Analysis of income and impairments by category of financial instrument

For the year to 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading**	At fair value through profit or loss – IFRS 9 mandatory – Non-trading**	At fair value through profit or loss – Designated at inception
2019			
Net interest income	(5 287)	62 857	(38 507)
Fee and commission income	42 741	4 935	–
Fee and commission expense	–	–	–
Investment income	10 468	1 097	4 521
Share of post taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from:			
– customer flow	80 768	5 362	9 925
– balance sheet management and other trading activities	895	(655)	11 171
Other operating income	–	–	–
Total operating income/(expense) before expected credit loss	**129 585**	**73 596**	**(12 890)**
Expected credit loss impairments charges*	–	–	–
Operating income/(expense)	**129 585**	**73 596**	**(12 890)**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

* *Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.*

At fair value through comprehensive income				
Debt instruments with a dual business model	Amortised cost	Non-financial instruments	Other fee income	**Total**
29 876	330 814	–	11 626	391 379
–	84 393	39	391 139	523 247
–	(2 737)	–	(9 629)	(12 366)
2 034	2 969	13 147	–	34 236
–	–	2 868	(38)	2 830
			–	–
–	–	–	(9 289)	86 766
–	1 321	–	–	12 732
–	–	6 778	3 698	10 476
31 910	**416 760**	**22 832**	**387 507**	**1 049 300**
–	(24 991)	–	–	(24 991)
31 910	**391 769**	**22 832**	**387 507**	**1 024 309**

12. Analysis of income and impairments by category of financial instrument *(continued)*

For the year to 31 March £'000	At fair value through profit or loss Trading	Designated at inception
2018		
Net interest income	(5 490)	658
Fee and commission income	67 951	–
Fee and commission expense	–	–
Investment income	13 010	59 143
Share of post taxation profit of associates and joint venture holdings	–	–
Trading income arising from:		
– customer flow	116 808	–
– balance sheet management and other trading activities	3 182	906
Other operating income	–	–
Total operating income/(expense) before impairment losses on loans and advances	**195 461**	**60 707**
Impairment losses on loans and advances*	–	–
Operating income/(expense)	**195 461**	**60 707**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	**Total**
561 383	6 805	(216 915)	–	3 177	349 618
69 479	–	6 195	569	360 412	504 606
–	–	(2 675)	–	(7 419)	(10 094)
(165)	5 845		(8 854)	(36)	68 943
–	–	–	1 444	–	1 444
–	–	–	–	(2 306)	114 502
(1 250)	–	–	–	–	2 838
–	–	–	4 457	3 833	8 290
629 447	**12 650**	**(213 395)**	**(2 384)**	**357 661**	**1 040 147**
(106 085)	–	–	–	–	(106 085)
523 362	**12 650**	**(213 395)**	**(2 384)**	**357 661**	**934 062**

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss – IFRS 9 mandatory – Trading	At fair value through profit or loss – IFRS 9 mandatory – Non-trading*	At fair value through profit or loss – Designated at initial recognition
Group			
2019			
Assets			
Cash and balances at central banks	–	1	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	–
Sovereign debt securities	–	318 798	–
Bank debt securities	–	52 265	–
Other debt securities	–	275 268	–
Derivative financial instruments**	642 530	–	–
Securities arising from trading activities	283 071	7 117	508 036
Investment portfolio	–	486 493	–
Loans and advances to customers	–	772 084	–
Other loans and advances	–	–	–
Other securitised assets	–	–	118 143
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	–	13 822	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	950 464	**1 925 848**	**626 179**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	719 027	–	–
Other trading liabilities	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	368 895
Liabilities arising on securitisation of own originated loans and advances	–	–	113 711
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	821 177	**–**	**482 606**
Subordinated liabilities	–	–	367 707
	821 177	**–**	**850 313**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity*

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

For more information on hedges, please refer to note 49 on pages 248 to 250.

At fair value through other comprehensive income				
Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
–	1	4 445 429	–	4 445 430
–	–	954 938	–	954 938
–	24 863	608 339	–	633 202
980 149	1 298 947	–	–	1 298 947
–	52 265	–	–	52 265
–	275 268	232 874	–	508 142
–	642 530	–	–	642 530
–	798 224	–	–	798 224
–	486 493	–	–	486 493
397 068	1 169 152	9 318 870	–	10 488 022
–	–	246 400	–	246 400
–	118 143	–	–	118 143
–	–	–	8 855	8 855
–	–	–	133 344	133 344
–	13 822	570 737	263 045	847 604
–	–	–	94 714	94 714
–	–	–	14 500	14 500
–	–	–	260 858	260 858
–	–	–	88 409	88 409
1 377 217	**4 879 708**	**16 377 587**	**863 725**	**22 121 020**
–	–	1 318 776	–	1 318 776
–	719 027	–	–	719 027
–	80 217	–	–	80 217
–	21 933	292 402	–	314 335
–	–	13 499 234	–	13 499 234
–	368 895	1 681 246	–	2 050 141
–	113 711	–	–	113 711
–	–	–	136 818	136 818
–	–	–	21 341	21 341
–	–	699 789	200 704	900 493
–	**1 303 783**	**17 491 447**	**358 863**	**19 154 093**
–	367 707	435 992	–	803 699
–	**1 671 490**	**17 927 439**	**358 863**	**19 957 792**

13. Analysis of financial assets and liabilities by category of financial instruments *(continued)*

At 31 March £'000	At fair value through profit or loss			
	Trading	Designated at inception	Available-for-sale	Total instruments at fair value
Group				
2018				
Assets				
Cash and balances at central banks	7 784	–	–	7 784
Loans and advances to banks	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	–	37 878
Sovereign debt securities	165 090	–	990 382	1 155 472
Bank debt securities	–	–	–	–
Other debt securities	–	56 869	22 230	79 099
Derivative financial instruments*	610 201	–	–	610 201
Securities arising from trading activities	244 334	457 394	–	701 728
Investment portfolio	–	435 604	36 479	472 083
Loans and advances to customers	–	133 740	–	133 740
Other loans and advances	–	–	–	–
Other securitised assets	–	132 172	–	132 172
Interests in associated undertakings and joint venture holdings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	57 218	–	–	57 218
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
	1 122 505	**1 215 779**	**1 049 091**	**3 387 375**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	533 319	–	–	533 319
Other trading liabilities	103 496	–	–	103 496
Repurchase agreements and cash collateral on securities lent	34 886	–	–	34 886
Customer accounts (deposits)	–	–	–	–
Debt securities in issue	–	471 886	–	471 886
Liabilities arising on securitisation of own originated loans and advances	–	127 853	–	127 853
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	671 701	**599 739**		**1 271 440**
Subordinated liabilities	–	–	–	–
	671 701	**599 739**	**–**	**1 271 440**

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

For more information on hedges, please refer to note 49 on pages 248 to 250.

Loans and receivables	Financial liabilities at amortised cost	**Total instruments at amortised cost**	Non-financial instruments	**Total**
3 479 984	–	3 479 984	–	3 487 768
772 984	–	772 984	–	772 984
712 550	–	712 550	–	750 428
–	–	–	–	1 155 472
107 938	–	107 938	–	107 938
209 250	–	209 250	–	288 349
–	–	–	–	610 201
–	–	–	–	701 728
–	–	–	–	472 083
9 529 432	–	9 529 432	–	9 663 172
417 747	–	417 747	–	417 747
–	–	–	–	132 172
–	–	–	6 414	6 414
–	–	–	84 599	84 599
730 754	–	730 754	225 468	1 013 440
–	–	–	53 183	53 183
–	–	–	14 500	14 500
–	–	–	261 075	261 075
–	–	–	103 972	103 972
15 960 639	**–**	**15 960 639**	**749 211**	**20 097 225**
–	1 295 847	1 295 847	–	1 295 847
–	–	–	–	533 319
–	–	–	–	103 496
–	133 754	133 754	–	168 640
–	11 969 625	11 969 625	–	11 969 625
–	1 470 983	1 470 983	–	1 942 869
–	–	–	–	127 853
–	–	–	135 517	135 517
–	–	–	22 120	22 120
–	790 689	790 689	218 410	1 009 099
–	**15 660 898**	**15 660 898**	**376 047**	**17 308 385**
–	579 673	579 673	–	579 673
–	**16 240 571**	**16 240 571**	**376 047**	**17 888 058**

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March £'000	At fair value through profit or loss IFRS 9 mandatory Trading	 Non-trading	 Designated at initial recognition
Company			
2019			
Assets			
Cash and balances at central banks	–	1	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	–
Sovereign debt securities	–	318 798	–
Bank debt securities	–	52 265	–
Other debt securities	–	275 268	1 556
Derivative financial instruments**	587 326	–	–
Securities arising from trading activities	283 071	–	508 036
Investment portfolio	–	100 083	–
Loans and advances to customers	–	724 716	–
Other loans and advances	–	10 024	–
Other securitised assets	–	–	6 831
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	–	13 822	–
Property and equipment	–	–	–
Intangible assets	–	–	–
Investment in subsidiaries	–	–	–
	895 260	**1 494 977**	**516 423**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	680 878	–	–
Other trading liabilities	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	368 895
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	783 028	**–**	**368 895**
Subordinated liabilities	–	–	367 707
	783 028	**–**	**736 602**

* *Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.*

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

For more information on hedges, please refer to note 49 on pages 248 to 250.

At fair value through other comprehensive income

	Debt instrument with dual business model	**Total instruments at fair value**	**Amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
	–	1	4 416 584	–	4 416 585
	–	–	226 974	–	226 974
	–	24 863	608 339	–	633 202
	406 958	725 756	–	–	725 756
	–	52 265	–	–	52 265
	–	276 824	750 962	–	1 027 786
	–	587 326	–	–	587 326
	–	791 107	–	–	791 107
	–	100 083	–	–	100 083
	397 068	1 121 784	6 602 376	–	7 724 160
	–	10 024	2 725 262	–	2 735 286
	–	6 831	–	–	6 831
	–	–	–	610	610
	–	–	–	98 008	98 008
	–	13 822	371 450	156 335	541 607
	–	–	–	49 891	49 891
	–	–	–	120	120
	–	–	–	864 539	864 539
	804 026	**3 710 686**	**15 701 947**	**1 169 503**	**20 582 136**
	–	–	1 516 768	–	1 516 768
	–	680 878	–	–	680 878
	–	80 217	–	–	80 217
	–	21 933	292 402	–	314 335
	–	–	12 659 032	–	12 659 032
	–	368 895	1 643 103	–	2 011 998
	–	–	–	94 160	94 160
	–	–	–	4 595	4 595
	–	–	459 817	123 452	583 269
	–	**1 151 923**	**16 571 122**	**222 207**	**17 945 252**
	–	367 707	435 992	–	803 699
	–	**1 519 630**	**17 007 114**	**222 207**	**18 748 951**

13. Analysis of financial assets and liabilities by category of financial instruments *(continued)*

At 31 March £'000	At fair value through profit or loss: Trading	At fair value through profit or loss: Designated at inception	Available-for-sale	Total instruments at fair value
Company				
2018				
Assets				
Cash and balances at central banks	7 784	–	–	7 784
Loans and advances to banks	–	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	–	37 878
Sovereign debt securities	165 090	–	324 364	489 454
Bank debt securities	–	–	–	–
Other debt securities	–	58 537	22 230	80 767
Derivative financial instruments*	594 295	–	–	594 295
Securities arising from trading activities	244 334	450 640	–	694 974
Investment portfolio	–	144 084	21 337	165 421
Loans and advances to customers	–	103 491	–	103 491
Other loans and advances	–	–	–	–
Other securitised assets	–	7 000	–	7 000
Interests in associated undertakings and joint venture holdings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	57 218	–	–	57 218
Property and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investments in subsidiaries	–	–	–	–
	1 106 599	**763 752**	**367 931**	**2 238 282**
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	525 911	–	–	525 911
Other trading liabilities	103 496	–	–	103 496
Repurchase agreements and cash collateral on securities lent	34 886	–	–	34 886
Customer accounts (deposits)	–	–	–	–
Debt securities in issue	–	471 886	–	471 886
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	–	–	–	–
	664 293	**471 886**	**–**	**1 136 179**
Subordinated liabilities	–	–	–	–
	664 293	**471 886**	**–**	**1 136 179**

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

For more information on hedges, please refer to note 49 on pages 248 to 250.

Loans and receivables	Financial liabilities at amortised cost	**Total instruments at amortised cost**	Non-financial instruments	**Total**
3 395 412	–	3 395 412	–	3 403 196
275 031	–	275 031	–	275 031
712 550	–	712 550	–	750 428
–	–	–	–	489 454
107 938	–	107 938	–	107 938
729 352	–	729 352	–	810 119
–	–	–	–	594 295
–	–	–	–	694 974
–	–	–	–	165 421
7 101 055	–	7 101 055	–	7 204 546
2 501 592	–	2 501 592	–	2 501 592
–	–	–	–	7 000
–	–	–	571	571
–	–	–	47 715	47 715
481 198	–	481 198	166 473	704 889
–	–	–	8 030	8 030
–	–	–	308	308
–	–	–	877 986	877 986
15 304 128	**–**	**15 304 128**	**1 101 083**	**18 643 493**
–	1 712 877	1 712 877	–	1 712 877
–	–	–	–	525 911
–	–	–	–	103 496
–	133 754	133 754	–	168 640
–	10 971 981	10 971 981	–	10 971 981
–	1 431 674	1 431 674	–	1 903 560
–	–	–	71 845	71 845
–	–	–	2 943	2 943
–	509 019	509 019	141 478	650 497
–	**14 759 305**	**14 759 305**	**216 266**	**16 111 750**
–	580 529	580 529	–	580 529
–	**15 339 834**	**15 339 834**	**216 266**	**16 692 279**

14. Fair value hierarchy

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

The different levels are identified as follows:

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

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

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

Fair value disclosures on investment properties are included in the Investment properties note 32 on page 230.

At 31 March £'000	Total instruments at fair value	Valuation technique applied Level 1	Level 2	Level 3
14. Fair value hierarchy *(continued)*				
Group				
2019				
Assets				
Cash and balances at central banks	1	1	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	24 863	–
Sovereign debt securities	1 298 947	1 298 947	–	–
Bank debt securities	52 265	–	52 265	–
Other debt securities	275 268	–	192 098	83 170
Derivative financial instruments	642 530	–	603 895	38 635
Securities arising from trading activities	798 224	767 337	23 769	7 118
Investment portfolio	486 493	12 265	6 582	467 646
Loans and advances to customers	1 169 152	–	19	1 169 133
Other securitised assets	118 143	–	–	118 143
Other assets	13 822	13 822	–	–
	4 879 708	**2 092 372**	**903 491**	**1 883 845**
Liabilities				
Derivative financial instruments	719 027	5 857	696 544	16 626
Other trading liabilities	80 217	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	21 933	–
Debt securities in issue	368 895	–	368 895	–
Liabilities arising on securitisation of other assets	113 711	–	–	113 711
Subordinated liabilities	367 707	367 707	–	–
	1 671 490	**453 781**	**1 087 372**	**130 337**
Net assets/(liabilities) at fair value	**3 208 218**	**1 638 591**	**(183 881)**	**1 753 508**
2018				
Assets				
Cash and balances at central banks	7 784	7 784	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	37 878	–
Sovereign debt securities	1 155 472	1 155 472	–	–
Other debt securities	79 099	6 868	61 993	10 238
Derivative financial instruments	610 201	–	567 312	42 889
Securities arising from trading activities	701 728	670 814	24 160	6 754
Investment portfolio	472 083	41 310	12 685	418 088
Loans and advances to customers	133 740	–	–	133 740
Other securitised assets	132 172	–	–	132 172
Other assets	57 218	57 218	–	–
	3 387 375	**1 939 466**	**704 028**	**743 881**
Liabilities				
Derivative financial instruments	533 319	–	531 877	1 442
Other trading liabilities	103 496	103 496	–	–
Repurchase agreements and cash collateral on securities lent	34 886	–	34 886	–
Debt securities in issue	471 886	–	457 687	14 199
Liabilities arising on securitisation of other assets	127 853	–	–	127 853
	1 271 440	**103 496**	**1 024 450**	**143 494**
Net assets/(liabilities) at fair value	**2 115 935**	**1 835 970**	**(320 422)**	**600 387**

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

Transfers between level 1 and level 2

During the current and prior years there were no significant transfers between level 1 and level 2.

14. Fair value hierarchy *(continued)*

Level 3 instruments

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

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Group					
Assets					
Balance as at 1 April 2017	**387 810**	**86 482**	**138 628**	**67 571**	**680 491**
Total gains	36 758	6 275	10 961	14 420	68 414
In the income statement	34 022	6 275	10 961	14 420	65 678
In the statement of comprehensive income	2 736	–	–	–	2 736
Purchases	102 362	54 789	–	7 663	164 814
Sales	(93 783)	(3 170)	–	(7 288)	(104 241)
Issues	–	–	–	–	–
Settlements	3 742	(2 635)	(17 417)	(2 749)	(19 059)
Transfers into level 3	–	–	–	–	–
Transfers out of level 3	(565)	–	–	(17 351)	(17 916)
Foreign exchange adjustments	(18 236)	(8 001)	–	(2 385)	(28 622)
Balance as at 31 March 2018	**418 088**	**133 740**	**132 172**	**59 881**	**743 881**
Adoption of IFRS 9	8 060	1 167 625	–	75 692	1 251 377
Balance as at 1 April 2018	**426 148**	**1 301 365**	**132 172**	**135 573**	**1 995 258**
Total gains or (losses)	23 350	69 261	(2 834)	16 865	106 642
In the income statement	23 350	69 056	(2 834)	16 865	106 437
In the statement of comprehensive income	–	205	–	–	205
Purchases	130 643	1 263 362	–	6 909	1 400 914
Sales	(59 003)	(889 145)	–	(8 404)	(956 552)
Issues	–	–	–	–	–
Settlements	(59 851)	(624 061)	(11 196)	(29 456)	(724 564)
Transfers into level 3	–	–	–	–	–
Transfers out of level 3	–	–	–	–	–
Foreign exchange adjustments	6 359	48 351	1	7 436	62 147
Balance as at 31 March 2019	**467 646**	**1 169 133**	**118 143**	**128 923**	**1 883 845**

1. *Comprises of level 3 other debt securities, derivative financial instruments and securities arising from trading.*

14. Fair value hierarchy *(continued)*

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[1]	Total
Group			
Liabilities			
Balance as at 1 April 2017	**128 838**	**13 730**	**142 568**
Total losses	8 188	1 911	10 099
In the income statement	8 188	1 911	10 099
In the statement of comprehensive income	–	–	–
Purchases	–	–	–
Sales	3 711	–	3 711
Issues	–	–	–
Settlements	(12 884)	–	(12 884)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Foreign exchange adjustments	–	–	–
Balance as at 31 March 2018	**127 853**	**15 641**	**143 494**
Adoption of IFRS 9	–	–	–
Balance as at 1 April 2018	**127 853**	**15 641**	**143 494**
Total gains	(5 084)	(12 653)	(17 737)
In the income statement	(5 084)	(12 653)	(17 737)
In the statement of comprehensive income	–	–	–
Purchases	–	23 798	23 798
Sales	–	(11 800)	(11 800)
Issues	–	–	–
Settlements	(9 058)	–	(9 058)
Transfers into level 3	–	2 854	2 854
Transfers out of level 3	–	–	–
Foreign exchange adjustments	–	(1 214)	(1 214)
Balance as at 31 March 2019	**113 711**	**16 626**	**130 337**

1. *Comprises of level 3 derivative financial instruments.*

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

For the year ended 31 March 2019, there were no transfers from level 3 into level 2. There were transfers from level 2 into level 3 of £nil assets and £2.9 million of liabilities. For the year ended 31 March 2108 there were transfers of £17.9 million of assets and £nil liabilities from level 3 into level 2 as the prices used to value certain derivatives were able to be externally validated against market consensus. There were no transfers from level 2 into level 3.

14. Fair value hierarchy *(continued)*

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

For the year to 31 March £'000	**Total**	Realised	Unrealised
Group			
2019			
Total gains/(losses) included in the income statement for the year			
Net interest income	99 951	86 118	13 833
Investment income	27 495	1 939	25 556
Trading income arising from customer flow	(3 272)	6 910	(10 182)
	124 174	**94 967**	**29 207**
Total gains included in other comprehensive income for the year			
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^	205	–	205
	205	**–**	**205**
2018			
Total gains/(losses) included in the income statement for the year			
Fee and commission income	93	–	93
Investment income	59 084	30 594	28 490
Trading income arising from customer flow	(3 598)	(488)	(3 110)
	55 579	**30 106**	**25 473**
Total gains included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement^	12 435	12 435	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income^	2 736	–	2 736
	15 171	**12 435**	**2 736**

^ *Following the adoption of IFRS 9 "Financial Instruments" on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

14. Fair value hierarchy *(continued)*

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2019 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, Black-Scholes	Discount rates
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Loans and advances to customers	Discounted cash flow model	Discount rates
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	Discount rates

14. Fair value hierarchy *(continued)*

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

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

31 March 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	83 170	Potential impact on income statement		7 741	(7 543)
		Credit spreads	5.8%	117	(114)
		Other^	^	7 624	(7 429)
Derivative financial instruments	38 635	Potential impact on income statement		22 720	(5 882)
		Volatilities	4.0% – 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 6.2% – 10.2%	134	(124)
		Underlying asset value^^	^^	7 731	(3 731)
		Other^	^	14 720	(1 889)
Securities arising from trading activities	7 118	Potential impact on income statement			
		Cash flow adjustments	CPR 9.2%	1 119	(1 480)
Investment portfolio	467 646	Potential impact on income statement		108 427	(78 504)
		Price earnings multiple	3.2 x – 9.0 x	8 852	(8 563)
		Underlying asset value^^	^^	16 426	(10 448)
		Other^	^	83 149	(59 493)
Loans and advances to customers	1 169 133	Potential impact on income statement		58 774	(74 960)
		Credit spreads	0.1% – 6.2%	6 327	(9 089)
		Price earnings multiple	4.9 x	703	(493)
		Underlying asset value^^	^^	2 778	(2 347)
		Other^	^	48 966	(63 031)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% – 2.1%	1 673	(2 933)
Other securitised assets*	118 143	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	496	(473)
Total level 3 assets	**1 883 845**			**200 950**	**(171 775)**

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

^ *Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, 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, loans and advances to customers and derivatives financial instruments lines with a balance sheet value of £69 million. The consideration of reasonable possible alternative assumptions with respect to the fair value of this expose results in a favourable change of £95 million and a unfavourable change of £69 million, included within the above table.

14. Fair value hierarchy *(continued)*

31 March 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Liabilities					
Derivative financial instruments	16 626	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 6.2% – 10.2%	(107)	116
		Volatilities	5.0% – 9.0%	(174)	174
		Underlying asset value^^	^^	(7 754)	7 755
Liabilities arising on securitisation of other assets*	113 711	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	(365)	344
Total level 3 liabilities	**130 337**			**(8 400)**	**8 389**
Net level 3 assets	**1 753 508**				

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

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, 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 investments cannot be determined through the adjustment of a single input.*

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

14. Fair value hierarchy *(continued)*

31 March 2018	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	10 238	Potential impact on income statement		402	(513)
		Cash flow adjustments	CPR 8.3% – 10%	254	(363)
		Other^	^	148	(150)
Derivative financial instruments	42 889	Potential impact on income statement		6 376	(8 598)
		Volatilities	4% – 9%	356	(356)
		Cash flow adjustments	CPR 8% – 10%	154	(140)
		WACC	19.5% – 48.5%	4 049	(5 750)
		Other^	^	1 817	(2 352)
Securities arising from trading activities	6 754	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	1 180	(1 080)
Investment portfolio	418 088	Potential impact on income statement		62 474	(70 454)
		Price earnings multiple	5.0 x – 10 x	6 159	(6 120)
		WACC	19.5% – 48.5%	12 799	(23 769)
		Other^	^	43 516	(40 565)
		Potential impact on other comprehensive income		2 138	(2 113)
		Price earnings multiple	4.0 x – 5.5 x	175	(246)
		Other^	^	1 963	(1 867)
Loans and advances to customers	133 740	Potential impact on income statement		15 490	(16 771)
		EBITDA	10%	10 349	(10 349)
		Other^	^	5 141	(6 422)
Other securitised assets*	132 172	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	885	(742)
Total level 3 assets	**743 881**			**88 945**	**(100 271)**
Liabilities					
Derivative financial instruments	1 442	Potential impact on income statement		(110)	122
		Cash flow adjustments	CPR 10%	(107)	119
		Volatilities	8%	(3)	3
Debt securities in issue	14 199	Potential impact on income statement			
		Volatilities	6%	(157)	157
Liabilities arising on securitisation of other assets*	127 853	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	(236)	231
Total level 3 liabilities	**143 494**			**(503)**	**510**
Net level 3 assets	**600 387**				

* *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 for the private equity and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, 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 investments cannot be determined through the adjustment of a single input.*

14. Fair value hierarchy *(continued)*

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

Credit spreads

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

Discount rates

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

Volatilities

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

Cash flows

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

Price earnings multiple

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

EBITDA

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

Underlying asset value

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

14. Fair value hierarchy *(continued)*

At 31 March £'000	Total instruments at fair value	Level 1	Level 2	Level 3
		Valuation technique applied		
Company				
2019				
Assets				
Cash and balances at central banks	1	1	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	24 863	–	24 863	–
Sovereign debt securities	725 756	725 756	–	–
Bank debt securities	52 265	–	52 265	–
Other debt securities	276 824	–	192 098	84 726
Derivative financial instruments	587 326	–	560 478	26 848
Securities arising from trading activities	791 107	767 338	23 769	–
Investment portfolio	100 083	3 965	4 204	91 914
Loans and advances to customers	1 121 784	–	19	1 121 765
Other loans and advances	10 024	–	–	10 024
Other securitised assets	6 831	–	–	6 831
Other assets	13 822	13 822	–	–
	3 710 686	**1 510 882**	**857 696**	**1 342 108**
Liabilities				
Derivative financial instruments	680 878	5 856	658 450	16 572
Other trading liabilities	80 217	80 217	–	–
Repurchase agreements and cash collateral on securities lent	21 933	–	21 933	–
Debt securities in issue	368 895	–	368 895	–
Subordinated liabilities	367 707	367 707	–	–
	1 519 630	**453 780**	**1 049 278**	**16 572**
Net assets/(liabilities) at fair value	**2 191 056**	**1 057 102**	**(191 582)**	**1 325 536**
2018				
Assets				
Cash and balances at central banks	7 784	7 784	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	37 878	–
Sovereign debt securities	489 454	489 454	–	–
Other debt securities	80 767	6 868	61 993	11 906
Derivative financial instruments	594 295	–	557 246	37 049
Securities arising from trading activities	694 974	670 814	24 160	–
Investment portfolio	165 421	5 450	8 291	151 680
Loans and advances to customers	103 491	–	–	103 491
Other securitised assets	7 000	–	–	7 000
Other assets	57 218	57 218	–	–
	2 238 282	**1 237 588**	**689 568**	**311 126**
Liabilities				
Derivative financial instruments	525 911	–	524 469	1 442
Other trading liabilities	103 496	103 496	–	–
Repurchase agreements and cash collateral on securities lent	34 886	–	34 886	–
Debt securities in issue	471 886	–	457 687	14 199
	1 136 179	**103 496**	**1 017 042**	**15 641**
Net assets/(liabilities) at fair value	**1 102 103**	**1 134 092**	**(327 474)**	**295 485**

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

Transfers between level 1 and level 2

During the current and prior years there were no significant transfers between level 1 and level 2.

14. Fair value hierarchy *(continued)*

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

For the year to 31 March £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Company					
Assets					
Balance as at 1 April 2017	**157 021**	**56 814**	**7 258**	**56 732**	**277 825**
Total (losses) or gains	(3 484)	6 275	1 828	10 326	14 945
In the income statement	(5 454)	6 275	1 828	10 326	12 975
In the statement of comprehensive income	1 970	–	–	–	1 970
Purchases	35 514	48 243	–	7 663	91 420
Sales	(20 879)	(3 170)	–	–	(24 049)
Issues	–	–	–	–	–
Settlements	–	–	(2 086)	(6 030)	(8 116)
Transfers into level 3	–	–	–	–	–
Transfers out of level 3	(565)	–	–	(17 351)	(17 916)
Foreign exchange adjustments	(15 927)	(4 671)	–	(2 385)	(22 983)
Balance as at 31 March 2018	**151 680**	**103 491**	**7 000**	**48 955**	**311 126**
Adoption of IFRS 9	8 060	1 116 804	–	89 310	1 214 174
Balance as at 1 April 2018	**159 740**	**1 220 295**	**7 000**	**138 265**	**1 525 300**
Total (losses) or gains	(33 473)	67 819	947	11 838	47 131
In the income statement	(33 473)	67 614	947	11 838	46 926
In the statement of comprehensive income	–	205	–	–	205
Purchases	5 529	1 231 891	–	–	1 237 420
Sales	(6 715)	(873 954)	–	(8 404)	(889 073)
Issues	–	–	–	–	–
Settlements	(42 178)	(573 084)	(1 116)	(27 532)	(643 910)
Transfers into level 3	–	–	–	–	–
Transfers out of level 3	–	–	–	–	–
Foreign exchange adjustments	9 011	48 798	–	7 431	65 240
Balance as at 31 March 2019	**91 914**	**1 121 765**	**6 831**	**121 598**	**1 342 108**

1. *Comprises of level 3 other debt securities, derivative financial instruments and securities arising from trading.*

14. Fair value hierarchy *(continued)*

For the year to £'000	Liabilities[1]	**Total**
Company		
Liabilities		
Balance as at 1 April 2017	**13 730**	**13 730**
Total losses	1 910	1 910
In the income statement	1 910	1 910
In the statement of comprehensive income	–	–
Purchases	–	–
Sales	–	–
Issues	–	–
Settlements	–	–
Transfers into level 3	–	–
Transfers out of level 3	–	–
Foreign exchange adjustments	–	–
Balance as at 31 March 2018	**15 641**	**15 641**
Adoption of IFRS 9	–	–
Balance as at 1 April 2018	**15 641**	**15 641**
Total gains	(7 019)	(7 019)
In the income statement	(7 019)	(7 019)
In the statement of comprehensive income	–	–
Purchases	–	–
Sales	(11 800)	(11 800)
Issues	16 897	16 897
Settlements	–	–
Transfers into level 3	2 854	2 854
Transfers out of level 3	–	–
Foreign exchange adjustments	(1)	(1)
Balance as at 31 March 2019	**16 572**	**16 572**

1. *Comprises of level 3 derivative financial instruments.*

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

For the year ended 31 March 2019, there were no transfers from level 3 into level 2. There were transfers from level 2 into level 3 of £nil assets and £2.9 million of liabilities. For the year ended 31 March 2108 there were transfers of £17.9 million of assets and £nil liabilities from level 3 into level 2 as the prices used to value certain derivatives were able to be externally validated against market consensus. There were no transfers from level 2 into level 3.

14. Fair value hierarchy *(continued)*

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

For the year to 31 March £'000	Total	Realised	Unrealised
Company			
2019			
Total gains/(losses) included in the income statement for the year			
Net interest income/(expense)	98 473	84 640	13 833
Investment income	(50 008)	(3 278)	(46 730)
Trading income arising from customer flow	5 480	6 918	(1 438)
	53 945	**88 280**	**(34 335)**
Total losses included in other comprehensive income for the year			
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^	205	–	205
	205	**–**	**205**
2018			
Total gains/(losses) included in the income statement for the year			
Net fee and commission (expense)/income	93	–	93
Investment income	14 569	2 498	12 071
Trading income arising from customer flow	(3 598)	(488)	(3 110)
	11 064	**2 010**	**9 054**
Total gains included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement^	11 099	11 099	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income^	1 970	–	1 970
	13 069	**11 099**	**1 970**

^ *Following the adoption of IFRS 9 "Financial Instruments" on 1 April 2018, the fair value reserve was introduced replacing the available-for-sale reserve.*

Level 2 financial assets and financial liabilities

The company follows the group's principal valuation techniques set out on page 212 in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

14. Fair value hierarchy *(continued)*

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

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

31 March 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	84 726	Potential impact on income statement		7 747	(7 549)
		Cash flow adjustments	CPR 6.2%	6	(6)
		Credit spreads	5.8%	117	(114)
		Other^	^	7 624	(7 429)
Derivative financial instruments	26 848	Potential impact on income statement		14 971	(1 434)
		Volatilities	4.0% – 9.0%	129	(129)
		Credit spreads	7.1%	6	(9)
		Cash flow adjustments	CPR 10.2%	116	(107)
		Other^	^	14 720	(1 189)
Investment portfolio	91 914	Potential impact on income statement		61 903	(37 179)
		Underlying asset value^^	^^	4 192	(2 814)
		Other^	^	57 711	(34 365)
Loans and advances to customers	1 121 765	Potential impact on income statement		54 740	(67 455)
		Credit spreads	0.1% – 4.4%	6 205	(8 910)
		Underlying asset value^^	^^	2 778	(2 347)
		Other^	^	45 757	(56 198)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% – 2.1%	1 673	(2 933)
Other securitised assets*	6 831	Potential impact on income statement			
		Cash flow adjustments	CPR 6.2%	868	(817)
Other loans and advances	10 024	Potential impact on income statement			
		Underlying asset value^^	^^	4 611	(401)
Total level 3 assets	**1 342 108**			**146 513**	**(117 768)**
Liabilities					
Derivative financial instruments	16 572	Potential impact on income statement		(8 035)	8 045
		Cash flow adjustments	CPR 10.2%	(107)	116
		Volatilities	5.0% – 9.0%	(174)	174
		Underlying asset value^^	^^	(7 754)	7 755
Total level 3 liabilities	**16 572**			**(8 035)**	**8 045**
Net level 3 assets	**1 325 536**				

* *The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.*
^ *Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, 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, loans and advances to customers and derivatives financial instruments lines with a balance sheet value of £69 million. The consideration of reasonable possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £95 million and a unfavourable change of £69 million, included within the above table.

14. Fair value hierarchy *(continued)*

At 31 March 2018	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Company					
Assets					
Other debt securities	11 906	Potential impact on income statement		411	(520)
		Cash flow adjustments	CPR 8.3% – 10%	263	(372)
		Other^	^	148	(148)
Derivative financial instruments	37 049	Potential impact on income statement		6 341	(8 565)
		Volatilities	4% – 9%	356	(356)
		Cash flow adjustments	CPR 10%	119	(107)
		WACC	19.5% – 48.5%	4 049	(5 750)
		Other^	^	1 817	(2 352)
Investment portfolio	151 680	Potential impact on income statement		23 088	(39 117)
		Price earnings multiple	10 x	583	(583)
		WACC	19.5% – 48.5%	12 799	(23 769)
		Other^	^	9 706	(14 765)
		Potential impact on other comprehensive income			
		Other^	^	562	(562)
Loans and advances to customers	103 491	Potential impact on income statement			
		EBITDA	10%	10 349	(10 349)
Other securitised assets*	7 000	Potential impact on income statement			
		Cash flow adjustments	CPR 8%	1 156	(1 002)
Total level 3 assets	**311 126**			**41 907**	**(60 115)**
Liabilities					
Derivative financial instruments	1 442	Potential impact on income statement		(110)	122
		Cash flow adjustments	CPR 10%	(107)	119
		Volatilities	8%	(3)	3
Debt securities in issue	14 199	Potential impact on income statement			
		Volatilities	6%	(157)	157
Total level 3 liabilities	**15 641**			**(267)**	**279**
Net level 3 assets	**295 485**				

* *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 for the private equity and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, 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 investments cannot be determined through the adjustment of a single input.*

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost					
Group					
2019					
Assets					
Cash and balances at central banks	4 445 429	4 445 429	^	^	^
Loans and advances to banks	954 938	954 927	946 576	–	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	608 339	608 354	508 232	100 122	–
Other debt securities	232 874	223 906	17 853	136 524	69 529
Loans and advances to customers	9 318 870	9 370 480	–	967 844	8 402 636
Other loans and advances	246 400	248 294	329	245 510	2 455
Other assets	570 737	571 380	334 690	216 490	20 200
	16 377 587	**16 422 770**			
Liabilities					
Deposits by banks	1 318 776	1 325 870	155 526	1 170 344	–
Repurchase agreements and cash collateral on securities lent	292 402	292 402	^	^	^
Customer accounts (deposits)	13 499 234	13 468 093	6 903 243	6 564 850	–
Debt securities in issue	1 681 246	1 687 922	38 143	1 649 779	–
Other liabilities	699 789	698 720	400 992	244 073	53 655
Subordinated liabilities	435 992	433 112	433 112	–	
	17 927 439	**17 906 119**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

15. Fair value of financial instruments at amortised cost
(continued)

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Group					
2018					
Assets					
Cash and balances at central banks	3 479 984	3 479 984	^	^	^
Loans and advances to banks	772 984	773 019	763 791	–	9 228
Reverse repurchase agreements and cash collateral on securities borrowed	712 550	712 582	605 687	106 895	–
Bank debt securities	107 938	116 875	–	116 875	–
Other debt securities	209 250	206 923	38 708	51 348	116 867
Loans and advances to customers	9 529 432	9 524 320	–	1 001 357	8 522 963
Other loans and advances	417 747	414 832	–	290 226	124 606
Other assets	730 754	726 696	467 304	245 946	13 446
	15 960 639	**15 955 231**			
Liabilities					
Deposits by banks	1 295 847	1 290 150	122 986	1 167 164	–
Repurchase agreements and cash collateral on securities lent	133 754	133 754	^	^	^
Customer accounts (deposits)	11 969 625	11 949 170	6 276 071	5 673 099	–
Debt securities in issue	1 470 983	1 540 406	1 194	1 525 191	14 021
Other liabilities	790 689	786 638	485 260	253 681	47 697
Subordinated liabilities	579 673	710 580	710 580	–	–
	16 240 571	**16 410 698**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

15. Fair value of financial instruments at amortised cost *(continued)*

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Bank debt securities	Valued using a cash flow model of the bonds, discounted by observable market credit
Other debt securities	Priced with reference to similar trades in an observable market.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost *(continued)*					
Company					
2019					
Assets					
Cash and balances at central banks	4 416 584	4 416 584	^	^	^
Loans and advances to banks	226 974	226 963	218 612	–	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	608 339	608 354	508 232	100 122	–
Other debt securities	750 962	741 994	17 853	134 515	589 626
Loans and advances to customers	6 602 376	6 659 769	–	86 055	6 573 714
Other loans and advances	2 725 262	2 726 978	329	2 724 194	2 455
Other assets	371 450	371 451	371 451	–	–
	15 701 947	**15 752 093**			
Liabilities					
Deposits by banks	1 516 768	1 514 011	436 479	1 077 532	–
Repurchase agreements and cash collateral on securities lent	292 402	292 402	^	^	^
Customer accounts (deposits)	12 659 032	12 627 850	7 023 581	5 604 269	–
Debt securities in issue	1 643 103	1 649 779	–	1 649 779	–
Other liabilities	459 817	458 749	426 308	23 898	8 543
Subordinated liabilities	435 992	433 112	433 112	–	–
	17 007 114	**16 975 903**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

At 31 March £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost *(continued)*					
Company					
2018					
Assets					
Cash and balances at central banks	3 395 412	3 395 412	^	^	^
Loans and advances to banks	275 031	275 067	265 839	–	9 228
Reverse repurchase agreements and cash collateral on securities borrowed	712 550	712 582	605 687	106 895	–
Bank debt securities	107 938	116 875	–	116 875	–
Other debt securities	729 352	688 712	38 708	51 348	598 656
Loans and advances to customers	7 101 055	7 099 393	–	129 506	6 969 887
Other loans and advances	2 501 592	2 500 017	–	2 329 863	170 154
Other assets	481 198	481 198	481 198	–	–
	15 304 128	**15 269 256**			
Liabilities					
Deposits by banks	1 712 877	1 700 568	617 048	1 083 520	–
Repurchase agreements and cash collateral on securities lent	133 754	133 754	^	^	^
Customer accounts (deposits)	10 971 981	10 928 674	6 412 749	4 515 925	–
Debt securities in issue	1 431 674	1 495 539	–	1 495 539	–
Other liabilities	509 019	509 019	493 803	11 981	3 235
Subordinated liabilities	580 529	711 436	711 436	–	–
	15 339 834	**15 478 990**			

^ *Financial instruments for which fair value approximates carrying value.*

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

At 31 March £'000	Carrying value	Fair value adjustment: Current	Fair value adjustment: Cumulative	Change in fair value attributable to credit risk: Current	Change in fair value attributable to credit risk: Cumulative	Maximum exposure to credit risk
16. Designated at fair value:						
Group						
Financial assets designated at fair value through profit or loss						
2019^						
Securities arising from trading activities	508 036	13 864	17 050	(244)	1 325	508 036
Other securitised assets	118 143	(4 607)	(13 170)	(4 607)	(13 170)	118 143
	626 179	**9 257**	**3 880**	**(4 851)**	**(11 845)**	**626 179**
2018						
Loans and advances to customers	133 740	448	(28 471)	–	–	133 740
Other securitised assets	132 172	7 468	(9 220)	7 468	(9 220)	132 172
	265 912	**7 916**	**(37 691)**	**7 468**	**(9 220)**	**265 912**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment: Current	Fair value adjustment: Cumulative	Change in fair value attributable to credit risk: Current	Change in fair value attributable to credit risk: Cumulative
Financial liabilities designated at fair value through profit or loss						
2019						
Debt securities in issue	368 895	413 524	15 991	19 021	(910)	1 969
Liabilities arising on securitisation of other assets	113 711	130 833	(4 234)	(10 308)	(4 234)	(10 308)
Subordinated liabilities	367 707	307 962	56 253	56 253	27 564	27 564
	850 313	**852 319**	**68 010**	**64 966**	**22 420**	**19 225**
2018						
Debt securities in issue	471 886	492 533	6 479	23 278	3 130	6 176
Liabilities arising on securitisation of other assets	127 853	130 870	(6 791)	3 818	(7 722)	3 014
	599 739	**623 403**	**(312)**	**27 096**	**(4 592)**	**9 190**

^ *As permitted by IFRS 9, the group has elected not to restate comparatives.*

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

At 31 March £'000	Carrying value	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative	Maximum exposure to credit risk
16. Designated at fair value: *(continued)*						
Company						
Financial assets designated at fair value through profit or loss						
2019^						
Other debt securities	1 556	(84)	191	(84)	191	1 556
Securities arising from trading activities	508 036	13 864	17 050	(244)	1 325	508 036
Other securitised assets	6 831	(169)	6 831	(169)	6 831	6 831
	516 423	**13 611**	**24 072**	**(497)**	**8 347**	**516 423**
2018						
Loans and advances to customers	103 491	448	2 344	–	–	103 491
Other securitised assets	7 000	(258)	7 000	(258)	7 000	7 000
	110 491	**190**	**9 344**	**(258)**	**7 000**	**110 491**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment Current	Fair value adjustment Cumulative	Change in fair value attributable to credit risk Current	Change in fair value attributable to credit risk Cumulative
Financial liabilities designated at fair value through profit or loss						
2019						
Debt securities in issue	368 895	413 524	15 991	19 021	(910)	1 969
Subordinated liabilities	367 707	307 962	56 253	56 253	27 564	27 564
	736 602	**721 486**	**72 244**	**75 274**	**26 654**	**29 533**
2018						
Debt securities in issue	471 886	492 533	6 479	23 278	3 130	6 176
	471 886	**492 533**	**6 479**	**23 278**	**3 130**	**6 176**

^ *As permitted by IFRS 9, the group has elected not to restate comparatives.*

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
17. Cash and balances at central banks				
Gross cash and balances at central banks	4 445 431	3 487 768	4 416 585	3 403 196
Expected credit loss*	(1)	–	–	–
Net cash and balances at central banks	**4 445 430**	**3 487 768**	**4 416 585**	**3 403 196**
The country risk of cash and bank balances at central banks lies in the following geographies:				
United Kingdom	4 404 486	3 389 265	4 404 472	3 388 925
Europe (excluding UK)	40 944	98 503	12 113	14 271
	4 445 430	**3 487 768**	**4 416 585**	**3 403 196**

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
18. Loans and advances to banks				
Gross loss and advances to banks	954 996	772 984	227 010	275 031
Expected credit loss*	(58)	–	(36)	–
Net gross and advances to banks	**954 938**	**772 984**	**226 974**	**275 031**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	18 256	19 809	18 048	17 735
United Kingdom	497 523	438 288	138 378	157 804
Europe (excluding UK)	266 072	172 917	18 492	51 414
Australia	97 192	81 179	31 716	17 595
United States of America	63 701	44 664	20 340	25 496
Other	12 194	16 127	–	4 987
	954 938	**772 984**	**226 974**	**275 031**

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent				
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	633 204	750 428	633 204	750 428
Expected credit loss*	(2)	–	(2)	–
Net reserve repurchase agreements and cash collateral on securities borrowed	**633 202**	**750 428**	**633 202**	**750 428**
Reverse repurchase agreements	575 891	665 374	575 891	665 374
Cash collateral on securities borrowed	57 311	85 054	57 311	85 054
	633 202	**750 428**	**633 202**	**750 428**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. £103 million (2018: £99.1 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	201 022	52 769	201 022	52 769
Cash collateral on securities lent	113 313	115 871	113 313	115 871
	314 335	**168 640**	**314 335**	**168 640**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £105 million (2018: £119 million). They are pledged as security for the term of the underlying repurchase agreement.

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
20. Sovereign debt securities				
Gross sovereign debt securities	1 298 947	1 155 472	725 756	489 454
Expected credit loss*	–	–	–	–
Net sovereign debt securities	**1 298 947**	**1 155 472**	**725 756**	**489 454**
Bonds	–	2 145	–	2 145
Government securities	405 695	229 040	405 694	229 040
Treasury bills	893 252	924 287	320 062	258 269
	1 298 947	**1 155 472**	**725 756**	**489 454**
The country risk of sovereign debt securities lies in the following geographies:				
United Kingdom	1 069 409	885 716	617 869	442 867
Europe (excluding UK)**	13 460	22 445	13 460	22 445
United States of America	216 078	247 311	94 427	24 142
	1 298 947	**1 155 472**	**725 756**	**489 454**

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*
** *Where Europe (excluding UK) largely includes securities held in Germany and France.*

At 31 March £'000	Group and Company 2019	Group and Company 2018
21. Bank debt securities		
Bonds	52 265	99 432
Floating rate notes	–	8 506
	52 265	**107 938**
The country risk of bank debt securities lies in the following geographies:		
United Kingdom	52 265	57 806
Europe (excluding UK)	–	50 132
	52 265	**107 938**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
22. Other debt securities				
Gross other debt securities	508 515	288 349	1 028 165	810 119
Expected credit loss*	(373)	–	(379)	–
Net other debt securities	**508 142**	**288 349**	**1 027 786**	**810 119**
Bonds	215 631	214 214	733 719	734 316
Commercial paper	9 878	9 875	9 878	9 875
Asset-based securities	282 633	64 260	284 189	65 928
	508 142	**288 349**	**1 027 786**	**810 119**
The country risk of other debt securities lies in the following geographies:				
South Africa	–	9 875	–	529 977
United Kingdom	175 346	66 143	696 999	67 811
Europe (excluding UK)	95 135	117 369	95 135	117 369
United States of America	152 404	27 455	150 395	27 455
Other	85 257	67 507	85 257	67 507
	508 142	**288 349**	**1 027 786**	**810 119**

In 2018 other debt securities included £5.1 million of balance sheet impairment shown net in the table above.

* *On adoption of IFRS 9 there is a move from an incurred loss model to an expected credit loss methodology.*

23. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at the balance sheet date.

	2019			2018		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	16 423 044	215 150	125 361	13 077 776	176 493	119 619
Currency swaps	1 012 208	63 176	58 219	852 742	29 073	18 301
OTC options bought and sold	5 180 061	28 053	23 856	1 652 409	56 550	29 301
OTC derivatives	**22 615 313**	**306 379**	**207 436**	**15 582 927**	**262 116**	**167 221**
Interest rate derivatives						
Caps and floors	7 857 100	13 182	5 625	6 345 355	17 817	5 220
Swaps	27 025 955	145 487	96 750	20 811 575	111 923	113 239
OTC options bought and sold	–	–	–	2 937	221	–
OTC derivatives	**34 883 055**	**158 669**	**102 375**	**27 159 867**	**129 961**	**118 459**
Exchange traded futures	–	–	–	17 409	–	4
	34 883 055	**158 669**	**102 375**	**27 177 276**	**129 961**	**118 463**
Equity and stock index derivatives						
OTC options bought and sold	6 796 107	91 242	158 053	6 850 129	130 907	130 568
Equity swaps and forwards	232 249	1 410	439	143 917	271	466
OTC derivatives	**7 028 356**	**92 652**	**158 492**	**6 994 046**	**131 178**	**131 034**
Exchange traded futures	467 477	7	–	247 533	10	–
Exchange traded options	10 689 326	–	153 046	7 172 714	–	56 322
Warrants	22 348	7 660	–	4 674	–	–
	18 207 507	**100 319**	**311 538**	**14 418 967**	**131 188**	**187 356**
Commodity derivatives						
OTC options bought and sold	257 431	19 231	25 928	31 827	3 687	1 435
Commodity swaps and forwards	769 662	36 870	34 227	1 089 922	47 031	38 332
OTC derivatives	**1 027 093**	**56 101**	**60 155**	**1 121 749**	**50 718**	**39 767**
Credit derivatives	**1 152 409**	**10 211**	**37 523**	**1 059 727**	**14 607**	**20 512**
Other derivatives*		**10 851**			**–**	
Embedded derivatives*		**–**			**21 611**	
Derivatives per balance sheet		**642 530**	**719 027**		**610 201**	**533 319**

* *In 2018 embedded derivatives mainly included profit shares received as part of lending transactions. Following the adoption of IFRS 9 these are either accounted for as stand-alone derivatives or no longer separated from the host contract so form part of the fair value of loans accounted for at fair value.*

23. Derivative financial instruments *(continued)*

At 31 March £'000	2019 Notional principal amounts	2019 Positive fair value	2019 Negative fair value	2018 Notional principal amounts	2018 Positive fair value	2018 Negative fair value
Company						
Derivative financial instruments						
Foreign exchange derivatives						
Forward foreign exchange contracts	15 921 019	213 594	124 323	12 880 312	171 661	115 609
Currency swaps	821 815	55 079	55 409	797 826	23 555	16 501
OTC options bought and sold	5 078 070	26 699	22 513	1 608 084	56 407	29 079
OTC derivatives	**21 820 904**	**295 372**	**202 245**	**15 286 222**	**251 623**	**161 189**
Interest rate derivatives						
Caps and floors	7 844 837	13 182	5 625	6 330 093	17 809	5 212
Swaps	25 686 005	123 603	78 580	20 478 703	109 045	112 604
OTC options bought and sold	–	–	–	2 937	221	–
OTC derivatives	**33 530 842**	**136 785**	**84 205**	**26 811 733**	**127 075**	**117 816**
Exchange traded futures	–	–	–	17 409	–	4
	33 530 842	**136 785**	**84 205**	**26 829 142**	**127 075**	**117 820**
Equity and stock index derivatives						
OTC options bought and sold	6 795 431	91 242	158 053	6 850 129	130 907	130 568
Equity swaps and forwards	232 249	1 410	439	143 917	271	466
OTC derivatives	**7 027 680**	**92 652**	**158 492**	**6 994 046**	**131 178**	**131 034**
Exchange traded futures	467 477	7	–	247 533	10	–
Exchange traded options	10 689 326	–	153 046	7 172 714	–	56 322
Warrants	18 437	4 160	–	4 279	–	–
	18 202 920	**96 819**	**311 538**	**14 418 572**	**131 188**	**187 356**
Commodity derivatives						
OTC options bought and sold	29 205	4 165	14 593	31 827	3 687	1 435
Commodity swaps and forwards	657 168	33 123	30 774	928 815	44 504	37 599
OTC derivatives	**686 373**	**37 288**	**45 367**	**960 642**	**48 191**	**39 034**
Credit derivatives	**1 152 409**	**10 211**	**37 523**	**1 059 727**	**14 607**	**20 512**
Other derivatives*		**10 851**			**–**	
Embedded derivatives*		**–**			**21 611**	
Derivatives per balance sheet		**587 326**	**680 878**		**594 295**	**525 911**

* *In 2018 embedded derivatives mainly included profit shares received as part of lending transactions. Following the adoption of IFRS 9 these are either accounted for as stand-alone derivatives or no longer separated from the host contract so form part of the fair value of loans accounted for at fair value.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
24. Securities arising from trading activities				
Asset-backed securities	7 118	6 754	–	–
Bonds	110 616	150 160	110 616	150 160
Government securities	419 350	346 206	419 350	346 206
Listed equities	261 140	198 608	261 141	198 608
	798 224	**701 728**	**791 107**	**694 974**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
25. Investment portfolio				
Listed equities	21 189	61 084	13 762	26 409
Unlisted equities*	465 304	410 999	86 321	139 012
	486 493	**472 083**	**100 083**	**165 421**

* *Unlisted equities includes loan instruments that are convertible into equity.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
26. Loans and advances to customers and other loans and advances				
Gross loans and advances to customers at amortised cost	9 466 667	9 681 272	6 719 848	7 242 476
Gross loans and advances to customers at FVOCI^	397 068	–	397 068	–
Gross core loans and advances to customers subject to expected credit losses/impairment losses	**9 863 735**	**9 681 272**	**7 116 916**	**7 242 476**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI*^	(147 797)	–	(117 472)	–
Impairments of loans and advances to customers*	–	(151 840)	–	(141 421)
Net loans and advances to customers at amortised cost and FVOCI*^	**9 715 938**	**9 529 432**	**6 999 444**	**7 101 055**
Loans and advances to customers at fair value through profit and loss	772 084	133 740	724 716	103 491
Loans and advances to customers	**10 488 022**	**9 663 172**	**7 724 160**	**7 204 546**
Gross other loans and advances	246 514	418 569	2 759 734	2 517 744
Expected credit losses on other loans and advances*	(114)	–	(24 448)	–
Impairments of other loans and advances	–	(822)	–	(16 152)
Net other loans and advances	**246 400**	**417 747**	**2 735 286**	**2 501 592**

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*
^ *Expected credit losses above do not include £1 million ECL held against financial assets held at FVOCI. This is reported on the balance sheet within reserves.*

For further analysis on loans and advances for the group refer pages 40 to 50 in the risk management section, for the company pages 279 to 281.

At 31 March £'000	Group 2019	Company 2019
26. Loans and advances to customers and other loans and advances *(continued)*		
Expected credit losses on loans and advances to customers at amortised cost and FVOCI*		
Balance as at 31 March 2018	**151 840**	**141 421**
Adoption of IFRS 9	93 895	75 364
Balance as at 1 April 2018	**245 735**	**216 785**
Charge to the income statement	36 133	23 820
Reversals and recoveries recognised in the income statement	(453)	(347)
Write-offs	(139 532)	(128 639)
Transfers	4 397	4 397
Exchange adjustments	1 517	1 456
Balance at the end of the year	**147 797**	**117 472**
Expected credit loss of other loans and advances*		
Balance as at 31 March 2018	**822**	**16 152**
Adoption of IFRS 9	2 078	4 558
Balance as at 1 April 2018	**2 900**	**20 710**
(Release)/charge to the income statement	(2 835)	1 772
Write-offs	49	1 966
Balance at the end of the year	**114**	**24 448**

At 31 March £'000	Group 2018	Company 2018
Specific and portfolio impairments*		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	83 488	73 154
Charge to the income statement	89 642	79 393
Reversals and recoveries recognised in the income statement	(3 766)	(3 754)
Utilised	(79 673)	(69 458)
Transfers	1 544	1 544
Exchange adjustments	(1 372)	(1 366)
Balance at the end of the year	**89 863**	**79 513**
Portfolio impairment		
Balance at the beginning of the year	43 388	43 388
Charge to the income statement	19 988	19 943
Transfers	(1 544)	(1 544)
Exchange adjustments	145	114
Balance at the end of the year	**61 977**	**61 901**

* *On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.*

At 31 March £'000	Group 2018	Company 2018
26. Loans and advances to customers and other loans and advances *(continued)*		
Other loans and advances		
Specific impairment		
Balance at the beginning of the year	6 857	11 145
Charge to the income statement	283	112
Utilised	(6 961)	(225)
Exchange adjustments	(11)	(65)
Balance at the end of the year	**168**	**10 967**
Portfolio impairment		
Balance at the beginning of the year	716	716
Release to the income statement	(62)	4 072
Exchange adjustments	–	397
Balance at the end of the year	**654**	**5 185**
Total specific impairments	90 030	90 480
Total portfolio impairments	62 632	67 086
Total impairments	**152 662**	**157 566**
Interest income recognised on loans that have been impaired	**1 148**	**1 043**
Reconciliation of income statement charge:		
Loans and advances to customers	**105 864**	
Specific impairment charged to income statement	85 876	
Portfolio impairment charged to income statement	19 988	
Other loans and advances	**221**	
Specific impairment charged to income statement	283	
Portfolio impairment released to income statement	(62)	
Total income statement charge*	**106 085**	

* On adoption of IFRS 9, there is a move from an incurred loss to an expected loss methodology.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
27. Securitised assets and liabilities arising on securitisation				
Other securitised assets are made up of the following categories of assets:				
Loans and advances to customers	111 312	125 172	–	–
Other debt securities	6 831	7 000	6 831	7 000
Total other securitised assets	**118 143**	**132 172**	**6 831**	**7 000**
The associated liabilities are recorded on balance sheet in the following line items:				
Liabilities arising on securitisation of other assets	**113 711**	**127 853**	**–**	**–**

At 31 March £'000	2019	2018

28. Interests in associated undertakings and joint venture holdings

Group		
Interests in associated and joint venture holdings undertakings consist of:		
Net asset value	8 414	6 112
Goodwill	441	302
Investment in associated undertakings and joint venture holdings	**8 855**	**6 414**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	6 112	16 407
Exchange adjustments	56	(1 216)
Acquisitions	188	–
Disposals	–	(5 675)
Return of capital	–	(4 651)
Share of post taxation profits of associates and joint venture holdings	2 830	1 444
Dividends received	(772)	(197)
At the end of the year	**8 414**	**6 112**
Analysis of the movement in goodwill:		
At the beginning of the year	302	7 411
Disposals	–	(7 109)
Acquisitions	139	–
At the end of the year	**441**	**302**

At 31 March £'000	2019	2018
Company		
Analysis of the movement in investment:		
At the beginning of the year	571	11 711
Exchange adjustments	39	(67)
Disposals	–	(11 073)
At the end of the year	**610**	**571**
Provision for impairment in value:		
At the beginning of the year	–	(2 323)
Disposals	–	2 323
At the end of the year	**–**	**–**
Net book value at the end of the year	**610**	**571**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
29. Deferred taxation				
Deferred taxation assets*	133 344	84 599	98 008	47 715
Deferred taxation liabilities	(21 341)	(22 120)	(4 595)	(2 943)
Net deferred taxation assets	**112 003**	**62 479**	**93 413**	**44 772**
The net deferred taxation assets arise from:				
Deferred capital allowances	35 536	41 645	8 987	10 627
Income and expenditure accruals	10 194	10 395	11 685	11 454
Asset in respect of unexpired options	16 992	20 938	15 887	19 497
Unrealised fair value adjustments on financial instruments	49 527	(3 420)	47 676	(3 313)
Losses carried forward	13 428	8 850	9 178	6 610
Asset in respect of pension deficit	282	315	–	–
Deferred tax on acquired intangibles	(13 704)	(15 901)	–	–
Other temporary differences	(252)	(343)	–	(103)
Net deferred taxation assets	**112 003**	**62 479**	**93 413**	**44 772**
Reconciliation of net deferred taxation assets				
At the beginning of the year	**62 479**	**52 388**	**44 771**	**43 278**
Adoption of IFRS 9	64 068	–	62 288	–
Balance as at 1 April 2018	**126 547**	**52 388**	**107 059**	**43 278**
Charge to income statement – current year taxation	1 892	8 973	2 679	(257)
Movement directly in other comprehensive income	(16 712)	1 361	(16 430)	1 659
Other	–	–	105	92
Exchange adjustments	276	(243)	–	–
At the end of the year	**112 003**	**62 479**	**93 413**	**44 772**

* *Following the adoption of IFRS 9 on 1 April 2018, additional deferred tax assets of £64 million (Company £62 million) were recognised. The effect of this is included within the unrealised fair value adjustment on financial instruments line item in the disclosure above.*

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £147 million (2018: £188.2 million) (company £nil million) (2018 company: £17.1 million), capital losses carried forward of £36 million (2018: £25.2 million) and excess management expenses of £6.1 million (2018: £7.0 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 2015 reduced the main rate of corporate taxation to 19% with effect from 1 April 2017. In addition, the bank corporation tax surcharge of 8% effective from 1 January 2016 was enacted in November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate of 17% effective 1 April 2020. The effect of these legislative changes is reflected in the above calculation of the deferred taxation asset as the rate was substantially enacted before 31 March 2019.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
30. Other assets				
Gross other assets	847 604	1 013 440	541 607	704 889
Expected credit loss*	–	–	–	–
Net other assets	**847 604**	**1 013 440**	**541 607**	**704 889**
Settlement debtors	498 534	665 066	305 388	444 213
Trading properties	55 529	98 961	9 621	85 377
Prepayments and accruals	118 425	99 305	70 638	55 143
Trading initial margin	13 822	57 218	13 822	57 218
Other	161 294	92 890	142 138	62 938
	847 604	**1 013 440**	**541 607**	**704 889**

* On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.

At 31 March £'000	Freehold properties	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
31. Property and equipment						
Group						
2019						
Cost						
At the beginning of the year	2 755	78 647	6 487	30 653	10 515	129 057
Exchange adjustments	–	809	446	(53)	–	1 202
Additions**	–	39 611	5 824	11 030	244	56 709
Disposals	(2 719)	(32 943)	(4 896)	(16 501)	(794)	(57 853)
At the end of the year	**36**	**86 124**	**7 861**	**25 129**	**9 965**	**129 115**
Accumulated depreciation						
At the beginning of the year	(395)	(44 504)	(6 008)	(19 149)	(5 818)	(75 874)
Exchange adjustments	–	650	(7)	64	–	707
Disposals	359	33 335	4 823	15 898	570	54 985
Depreciation charge for the year	–	(6 902)	(976)	(4 204)	(2 137)	(14 219)
At the end of the year	**(36)**	**(17 421)**	**(2 168)**	**(7 391)**	**(7 385)**	**(34 401)**
Net carrying value	**–**	**68 703**	**5 693**	**17 738**	**2 580**	**94 714**
2018						
Cost						
At the beginning of the year	2 755	84 443	7 120	25 196	9 546	129 060
Exchange adjustments	–	(3 502)	(77)	(13)	–	(3 592)
Additions	–	2 219	83	7 408	2 241	11 951
Disposals	–	(4 513)	(639)	(1 938)	(1 272)	(8 362)
At the end of the year	**2 755**	**78 647**	**6 487**	**30 653**	**10 515**	**129 057**
Accumulated depreciation						
At the beginning of the year	(347)	(39 683)	(6 398)	(18 884)	(4 891)	(70 203)
Exchange adjustments	–	85	23	36	–	144
Disposals	–	1 561	639	2 653	1 423	6 276
Depreciation charge for the year	(48)	(6 467)	(272)	(2 954)	(2 350)	(12 091)
At the end of the year	**(395)**	**(44 504)**	**(6 008)**	**(19 149)**	**(5 818)**	**(75 874)**
Net carrying value	**2 360**	**34 143**	**479**	**11 504**	**4 697**	**53 183**

* These are assets held by the group, in circumstances where the group is lessor.
** Additions include transfers from work in progress reported in other assets in the prior year.

At 31 March £'000	Leasehold improvements	Furniture and vehicles	Equipment	Total
31. Property and equipment *(continued)*				
Company				
2019				
Cost				
At the beginning of the year	32 844	5 275	22 088	60 207
Additions**	37 629	6 594	5 641	49 864
Disposals	(32 429)	(15 696)	(4 781)	(52 906)
At the end of the year	**38 044**	**(3 827)**	**22 948**	**57 165**
Accumulated depreciation				
At the beginning of the year	(31 283)	(4 943)	(15 951)	(52 177)
Disposals	31 920	15 235	4 781	51 936
Depreciation charge for the year	(4 037)	(2 576)	(420)	(7 033)
At the end of the year	**(3 400)**	**7 716**	**(11 590)**	**(7 274)**
Net carrying value	**34 644**	**3 889**	**11 358**	**49 891**
2018				
Cost				
At the beginning of the year	32 844	5 275	15 082	53 201
Additions	–	–	7 006	7 006
At the end of the year	**32 844**	**5 275**	**22 088**	**60 207**
Accumulated depreciation				
At the beginning of the year	(28 102)	(4 930)	(14 940)	(47 972)
Depreciation charge for the year	(3 181)	(13)	(1 011)	(4 205)
At the end of the year	**(31 283)**	**(4 943)**	**(15 951)**	**(52 177)**
Net carrying value	**1 561**	**332**	**6 137**	**8 030**

** *Additions include transfers from work in progress reported in other assets in the prior year.*

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation on these operating leased assets has been shown separately on the face of the income statement.

Group £'000	2019	2018
32. Investment properties		
At the beginning of the year	14 500	14 500
Additions	–	–
Disposals	–	–
Fair value movement	–	–
Exchange adjustment	–	–
At the end of the year	**14 500**	**14 500**

All investment properties are classified as level 3 in the fair value hierarchy.

Fair value hierarchy – Investment properties

For all investment properties that are measured at fair value, the current use of the property is considered the highest and best use.

Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property, the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

Significant unobservable inputs	*Relationship between unobservable inputs and fair value measurement*
Expected rental value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value

The unobservable inputs used in the valuation as at 31 March 2019 were an ERV of £1.3 million and an equivalent yield of 8.37%. Using a reasonably possible change in the inputs would lead to a favourable change of £1.45 million or an unfavourable change of £1.45 million.

At 31 March £'000	2019	2018
33. Goodwill		
Cost		
At the beginning of the year	287 545	286 435
Acquisition of subsidiaries	–	849
Adjustment of goodwill on acquisition within the measurement period	(44)	–
Exchange adjustments	(173)	261
At the end of the year	**287 328**	**287 545**
Accumulated impairments		
At the beginning of the year	(26 470)	(26 470)
Income statement amount		–
At the end of the year	**(26 470)**	**(26 470)**
Net carrying value	**260 858**	**261 075**
Analysis of goodwill by line of business:		
Wealth & Investment	249 130	249 242
Specialist Banking	11 728	11 833
Total group	**260 858**	**261 075**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three-to-five years, adjusted for expected future events.

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment, which includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with Wealth & Investment in August 2012.

For Investec Wealth & Investment, goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.6% (2018: 8.8%) which incorporate an expected revenue growth rate of 2% in perpetuity (March 2018: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

Movement in goodwill

There have been no significant movements in goodwill for the current year or the prior year.

At 31 March £'000	Acquired software	Internally generated software	Management contracts*	Client relationships*	Total
34. Intangible assets					
Group					
2019					
Cost					
At the beginning of the year	40 845	3 101	605	182 033	226 584
Exchange adjustments	(8)	–	(13)	(59)	(80)
Additions	2 053	4 775	–	–	6 828
Disposals	(19 922)	–	–	–	(19 922)
Write off of internal software	–	(7 876)	–	–	(7 876)
At the end of the year	**22 968**	**–**	**592**	**181 974**	**205 534**
Accumulated amortisation and impairments					
At beginning of year	(33 368)	(861)	(531)	(87 852)	(122 612)
Exchange adjustments	30	–	13	46	89
Disposals	19 793	–	–	–	19 793
Amortisation	(2 298)	(994)	(74)	(12 884)	(16 250)
Write off of internal software	–	1 855	–	–	1 855
At end of year	**(15 843)**	**–**	**(592)**	**(100 690)**	**(117 125)**
Net carrying value	**7 125**	**–**	**–**	**81 284**	**88 409**
2018					
Cost					
At the beginning of the year	37 569	2 543	583	181 947	222 642
Exchange adjustments	47	–	22	86	155
Additions	3 229	558	–	–	3 787
At the end of the year	**40 845**	**3 101**	**605**	**182 033**	**226 584**
Accumulated amortisation and impairments					
At the beginning of the year	(31 260)	–	(372)	(74 680)	(106 312)
Exchange adjustments	(41)	–	(17)	(41)	(99)
Amortisation	(2 067)	(861)	(142)	(13 131)	(16 201)
At the end of the year	**(33 368)**	**(861)**	**(531)**	**(87 852)**	**(122 612)**
Net carrying value	**7 477**	**2 240**	**74**	**94 181**	**103 972**

* *Management contracts and client relationships are acquired intangibles.*

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

At 31 March £'000	Acquired software
34. Intangible assets *(continued)*	
Company	
2019	
Cost	
At the beginning of the year	20 283
Exchange adjustments	–
Additions	102
Disposals	(19 182)
At the end of the year	**1 203**
Accumulated amortisation and impairments	
At the beginning of the year	(19 975)
Exchange adjustments	–
Disposals	19 053
Amortisation	(161)
At the end of the year	**(1 083)**
Net carrying value	**120**
2018	
Cost	
At the beginning of the year	19 974
Exchange adjustments	–
Additions	309
Disposals	–
At the end of the year	**20 283**
Accumulated amortisation and impairments	
At the beginning of the year	(19 824)
Exchange adjustments	–
Disposals	–
Amortisation	(151)
At the end of the year	**(19 975)**
Net carrying value	**308**

35. Acquisitions and disposals

Group and Company

There were no significant acquisitions or disposals of subsidiaries during the current and prior years.

Post balance sheet events

On 10 May 2019 Investec Bank plc agreed to sell its Irish Wealth Management business to Brewin Dolphin for proceeds of circa EUR 44 million, subject to regulatory approval.

At 31 March £'000	Group and Company 2019	Group and Company 2018
36. Other trading liabilities		
Short positions		
– Equities	55 294	64 962
– Gilts	24 923	38 534
	80 217	**103 496**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
37. Debt securities in issue				
Bonds and medium-term notes repayable:				
Less than three months	30 921	7 712	30 915	7 704
Three months to one year	129 046	55 583	129 046	55 583
One to five years	1 295 149	1 053 582	1 293 961	1 021 905
Greater than five years	595 025	825 992	558 076	818 368
	2 050 141	**1 942 869**	**2 011 998**	**1 903 560**
Analysis by customer type:				
Retail	933 498	968 873	933 498	968 873
Wholesale	1 116 643	973 996	1 078 500	934 687
	2 050 141	**1 942 869**	**2 011 998**	**1 903 560**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
38. Other liabilities				
Settlement liabilities	503 336	625 997	312 182	408 673
Other creditors and accruals	295 217	300 539	173 929	184 227
Other non-interest bearing liabilities	100 022	82 563	95 626	57 597
ECL on off-balance sheet	1 918	–	1 532	–
	900 493	**1 009 099**	**583 269**	**650 497**

At 31 March £'000	2019	2018

39. Pension commitments

Income statement charge		
Cost of defined contribution schemes included in staff costs	27 177	25 182
Net income statement charge in respect of pensions	**27 177**	**25 182**

The Investec group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of one scheme in the United Kingdom being the Investec Asset Management Pension scheme (IAM scheme). The scheme is a final salary pension plan with assets held in a separate trustee administered fund. The plan is subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plan. The role of the trustees is to ensure that the scheme is administered in accordance with the scheme rules and relevant legislation, and to safeguard the assets in the best interest of all members and beneficiaries.

The trustees are solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. The scheme is closed to new members and the accrual of service ceased on 31 March 2002. The scheme has been valued at 31 March 2019 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution scheme outstanding at the year-end.

During the prior year the group's previous other defined benefit scheme, Guinness Mahon Pension Fund (GM scheme) entered into a buy-out with the assets and liabilities being transferred to the insurer Aviva. Members now receive their pension from Aviva and Investec has no remaining liability relating to the GM scheme.

Certain employees of the bank participate in the above defined benefit scheme along with the employees from other Investec group undertakings.

As there is no contractual agreement or stated policy for charging the net defined benefit cost of the defined benefit plan as a whole, measured in accordance with IAS 19, to individual Investec plc group entities, the bank has accounted for this scheme on a defined contribution basis.

Therefore, the following tables on the defined benefit schemes are provided for information only.

	2019	2018
The major assumptions used were:		
Discount rate	2,40%	2.65%
Rate of increase in salaries	3,20%	2.10%
Rate of increase in pensions in payment	2.00% – 3.20%	1.90% – 3.10%
Inflation (RPI)	3.30%	3.10%
Inflation (CPI)	2.20%	2.10%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used for 2019 are based on the 2018 Club Vita base tables with allowance for future improvements in line with CMI 2018 core projections and a long-term improvement of 1.25% per annum. The life expectancies underlying the valuation are as follows:	**Years**	Years
Male aged 65	88.4	88.7
Female aged 65	88.7	88.9
Male aged 45	89.2	89.5
Female aged 45	90.5	90.7

Sensitivity analysis of assumptions

If the discount rate were 0.25% higher, the scheme liabilities would decrease by approximately £702 000.

39. Pension commitments *(continued)*

If life expectancies were to increase by one year, the scheme liabilities would increase by approximately £616 000 if all the other assumptions remained unchanged.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The sensitivity analysis has been performed on the basis that the relevant assumption would occur in isolation, holding other assumptions constant.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the same methodology that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Risk exposures

A description of the risks to which the pension scheme expose Investec group can be found in the risk management report on pages 76 and 77.

The Investec group ultimately underwrites the risks relating to its defined benefit plan. If the contributions currently agreed are insufficient to pay the benefits due, the Investec group will need to make further contributions to the plan.

At 31 March **£'000**	**2019**	2018
IAM scheme		
Managed funds	17 605	18 653
Cash	185	80
Total market value of assets	**17 790**	**18 733**

There are no assets which are unquoted.

None of the Investec group's own assets or properties occupied or used by the Investec group held within the assets of the scheme.

39. Pension commitments *(continued)*

At 31 March £'000	2019 IAM	2018 GM	2018 IAM	2018 Total
Recognised in the balance sheet				
Fair value of plan assets	17 790	–	18 733	18 733
Present value of obligations	(17 610)	–	(16 107)	(16 107)
Net asset (recognised in other assets)	**180**	**–**	**2 626**	**2 626**
Recognised in the income statement				
Net interest income	68	–	51	51
Administration costs	(134)	–	(81)	(81)
Net amount recognised in the income statement	**(66)**	**–**	**(30)**	**(30)**
Recognised in the statement of comprehensive income				
Return on plan assets (excluding amounts in net interest income)	(823)	–	(129)	(129)
Actuarial gain arising from changes in financial assumptions	(1 558)	–	(452)	(452)
Remeasurement of scheme due to buy-out	–	(4 316)	–	(4 316)
Remeasurement of defined benefit asset	(2 381)	(4 316)	(581)	(4 897)
Deferred tax	457	868	91	959
Remeasurement of net defined benefit asset	**(1 924)**	**(3 448)**	**(490)**	**(3 938)**

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Opening balance sheet (liabilities)/asset at 1 April 2017	**(4 529)**	**2 076**	**(2 453)**
Expenses charged to the income statement	–	(30)	(30)
Amount recognised in other comprehensive income	–	581	581
Remeasurement of scheme due to buy-out	4 529	–	4 529
Opening balance sheet asset at 1 April 2018	**–**	**2 627**	**2 627**
Expenses charged to the income statement	–	(66)	(66)
Amount recognised in other comprehensive income	–	(2 381)	(2 381)
Closing balance sheet asset at 31 March 2019	**–**	**180**	**180**

39. Pension commitments *(continued)*

At 31 March £'000	GM	IAM	Total
Changes in the present value of defined benefit obligations			
Opening defined benefit obligation at 1 April 2017	**148 862**	**19 573**	**168 435**
Interest expense	–	455	455
Remeasurement gains and losses:			
– Actuarial (loss) arising from changes in financial assumptions	–	(452)	(452)
Benefits and expenses paid	–	(3 469)	(3 469)
Remeasurement of scheme due to buy-out	(148 862)	–	(148 862)
Opening defined benefit obligation at 1 April 2018	**–**	**16 107**	**16 107**
Interest expense		419	419
Remeasurement gains and losses:			
– Actuarial gain/(loss) arising from changes in financial assumptions	–	1 558	1 558
Benefits and expenses paid	–	(474)	(474)
Closing defined benefit obligation at 31 March 2019	**–**	**17 610**	**17 610**
Changes in the fair value of plan assets			
Opening fair value of plan assets at 1 April 2017	**144 333**	**21 649**	**165 982**
Interest income	–	505	505
Remeasurement gain/loss:			
– Return on plan assets (excluding amounts in net interest income)	–	129	129
Administration expenses	–	(3 550)	(3 550)
Remeasurement of scheme due to buy-out	(144 333)	–	(144 333)
Opening fair value of plan assets at 1 April 2018	**–**	**18 733**	**18 733**
Interest income	–	487	487
Remeasurement gain/loss:			
– Return on plan assets (excluding amounts in net interest income)	–	(823)	(823)
Administration expenses	–	(607)	(607)
Closing fair value of plan assets at 31 March 2019	**–**	**17 790**	**17 790**

There is no restriction on the pension surplus as the Investec group has an unconditional right to a refund of the surpluses assuming the gradual settlement of the plan over time until all members have left the scheme.

The triennial funding valuation of the schemes was carried out as at 31 March 2018. The IAM scheme is fully funded.

The weighted average duration of the IAM scheme's liabilities at 31 March 2019 is 17.5 years (31 March 2018: 17 years).
This includes average duration of deferred pensioners of 21.5 years and average duration of pensioners in payment of 13.3 years.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
40. Subordinated liabilities				
Issued by Investec Bank plc				
Subordinated fixed rate medium-term notes – fair value	367 707	579 673	367 707	580 529
Subordinated fixed rate re-set callable medium-term notes – amortised cost	435 992	–	435 992	–
	803 699	**579 673**	**803 699**	**580 529**
Remaining maturity:				
In one year or less, or on demand	–	–	–	–
In more than one year, but not more than two years	–	–	–	–
In more than two years, but not more than five years	367 707	–	367 707	–
In more than five years	435 992	579 673	435 992	580 529
	803 699	**579 673**	**803 699**	**580 529**
Reconciliation from opening balance to closing balance				
At the beginning of the year	**579 673**	**579 356**	**580 529**	**580 427**
Adoption of IFRS 9	136 891	–	136 891	–
As at 1 April	**716 564**	**579 356**	**717 420**	**580 427**
Subordinated debt raised	417 939	–	417 939	–
Repayment of subordinated debt	(335 541)	–	(335 541)	–
Fair value movement	(23 190)	–	(23 190)	–
Effective interest rate adjustment/hedge accounting	27 927	317	27 071	102
At the end of the year	**803 699**	**579 673**	**803 699**	**580 529**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium term notes

Subordinated fixed rate medium term notes (denominated in Pounds Sterling)

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

On 1 April 2018 the group adopted IFRS 9 "Financial instruments" which replaced IFRS 39 "Financial instruments: recognition and measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 546 000 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)

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.

At 31 March £'000	Group and Company 2019	2018
41. Ordinary share capital		
Authorised		
The authorised share capital is £2 000 million (2018: £2 000 million) comprising:		
2 000 million ordinary shares of £1 each (2018: 2 000 million ordinary shares of £1 each)		
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	1 186 800 000	1 186 800 000
Issued during the year	–	–
At the end of the year	**1 186 800 000**	**1 186 800 000**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	**1 186 800**	**1 186 800**
Issued during the year	–	–
At the end of the year	**1 186 800**	**1 186 800**

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
42. Additional Tier 1 securities in issue				
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**200 000**	**250 000**	**200 000**

On 16 October 2017, Investec Bank plc issued £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1' securities) to Investec plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. A further £50 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities issued on 22 January 2019, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 March 2019. These notes were consolidated to form a single series and are fungible, with the £200 000 000 2024 notes issued on 16 October 2018. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and investors will lose their entire investment in the securities should the common equity tier 1 capital ratio of Investec Bank plc, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

At 31 March £'000	2019	2018
43. Non-controlling interests		
Non-controlling interests in partially held subsidiaries	**7 926**	**3 060**

At 31 March £'000	2019 Total future minimum payments	2019 Present value	2018 Total future minimum payments	2018 Present value
44. Finance lease disclosures				
Group				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	238 795	194 802	254 251	239 986
One to five years	415 228	367 123	419 716	356 991
Later than five years	4 935	4 640	4 202	3 593
	658 958	**566 565**	**678 169**	**600 570**
Unearned finance income	**92 413**	**–**	**101 509**	–

At 31 March 2019, unguaranteed residual values accruing to the benefit of the company were £6.6 million (2018: £1.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2019 Total future minimum payments	2019 Present value	2018 Total future minimum payments	2018 Present value
Company				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	–	–	862	437
	–	**–**	**862**	**437**
Unearned finance income	**–**	**–**	426	–

At 31 March 2019, unguaranteed residual values accruing to the benefit of the company were £nil (2018: £nil). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
45. Notes to the cash flow statement				
Profit before taxation adjusted for non-cash items is derived as follows:				
Profit before taxation	177 192	121 390	72 845	85 629
Adjustment for non-cash items included in net income before taxation:				
Amortisation of acquired intangibles	12 958	13 273	–	–
Depreciation of operating lease assets	2 137	2 350	–	–
Depreciation and impairment of property, equipment and intangibles	21 395	12 669	7 195	4 356
Expected credit loss impairment charges/impairment losses on loans and advances*	24 991	106 085	18 317	70 295
Share of post taxation profit of associates and joint venture holdings	(2 830)	(1 444)	–	–
Dividends received from associates and joint venture holdings	772	197	–	–
Share-based payments adjustments	(2 367)	1 129	(2 014)	–
Profit before taxation adjusted for non-cash items	**234 248**	**255 649**	**96 343**	**160 280**
(Increase)/decrease in operating assets				
Loans and advances to banks	(214 354)	99 498	468	3 991
Reverse repurchase agreements and cash collateral on securities borrowed	117 223	(214 255)	117 223	(214 255)
Sovereign debt securities	(141 324)	(202 570)	(234 482)	(328 486)
Bank debt securities	61 015	76 688	61 014	76 688
Other debt securities	(221 079)	119 800	(218 959)	(172 009)
Derivative financial instruments	(37 682)	170	1 617	4 239
Securities arising from trading activities	(96 496)	(178 969)	(96 133)	(178 393)
Investment portfolio	(14 937)	(13 816)	64 734	9 011
Other loans and advances	172 101	138 721	(237 510)	(565 100)
Loans and advances to customers	(988 240)	(1 170 622)	(653 895)	(657 604)
Securitised assets	14 029	6 456	169	281
Other assets	165 836	75 950	163 282	61 933
Goodwill	44	–	–	–
Investment in subsidiaries	–	–	44	–
	(1 183 864)	**(1 262 949)**	**(1 032 428)**	**(1 959 704)**
Increase/(decrease) in operating liabilities				
Deposits by banks	22 929	622 261	(196 109)	812 186
Derivative financial instruments	185 708	(50 243)	154 967	(55 594)
Other trading liabilities	(23 279)	(32 545)	(23 279)	(32 545)
Repurchase agreements and cash collateral on securities lent	145 695	(55 358)	145 695	(255 379)
Customer accounts	1 529 609	680 448	1 687 051	1 370 896
Debt securities in issue	107 272	302 031	108 438	340 541
Liabilities arising on securitisation of other assets	(14 142)	(985)	–	–
Other liabilities	(23 573)	22 094	15 292	(61 214)
	1 930 219	**1 487 703**	**1 892 055**	**2 118 891**

* *On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.*

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
46. Commitments				
Undrawn facilities	1 484 240	1 092 204	1 312 608	932 821
Other commitments	27 839	24 142	646	656
	1 512 079	**1 116 346**	**1 313 254**	**933 477**
The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.				
Operating lease commitments				
Future minimum lease payments under non-cancellable operating leases:				
Less than one year	64 561	18 163	8 236	877
One to five years	288 036	83 680	32 941	28 961
Later than five years	140 868	113 221	34 353	64 600
	493 465	**215 064**	**76 130**	**94 438**
Operating lease receivables				
Future minimum lease payments under non-cancellable operating leases:				
Less than one year	44 173	4 598	–	–
One to five years	220 852	6 633	–	–
Later than five years	58 155	–	–	–
	323 180	**11 231**	**–**	**–**

* *Expected credit losses on off-balance sheet positions of £2 million in the current year are reported with other liabilities.*

Investec group leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between three and five years with no annual escalation clauses. The majority of the leases have renewal options. In addition, Investec Bank plc participates in client transactions where the group has a head lease and sublease arrangement with external parties.

At 31 March £'000	Carrying amount of pledged assets 2019	Carrying amount of pledged assets 2018	Related liability 2019	Related liability 2018
Group				
Pledged assets				
Loans and advances to customers	268 099	284 656	251 289	277 646
Other loans and advances	101 643	2 915	95 426	2 843
Loans and advances to banks	53 693	96 335	55 596	66 823
Sovereign debt securities	456 004	438 879	377 056	353 973
Bank debt securities	–	8 506	–	5 661
Other debt securities	87 995	–	82 477	–
Securities arising from trading activities	585 906	653 292	464 748	514 077
	1 553 340	**1 484 583**	**1 326 592**	**1 221 023**
Company				
Pledged assets				
Loans and advances to customers	268 099	284 656	253 492	272 724
Other loans and advances	101 643	2 915	96 251	2 793
Loans and advances to banks	53 693	96 335	55 596	66 823
Sovereign debt securities	456 004	438 879	378 697	350 520
Bank debt securities	–	8 506	–	5 661
Other debt securities	524 795	436 800	496 203	418 491
Securities arising from trading activities	585 906	653 292	464 748	514 077
	1 990 140	**1 921 383**	**1 744 987**	**1 631 089**

The assets pledged by the group and company are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

At 31 March £'000	Group 2019	Group 2018	Company 2019	Company 2018
47. Contingent liabilities				
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	496 926	142 655	446 404	123 727
	496 926	**142 655**	**446 404**	**123 727**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank plc on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent total protected deposits) as at 31 December of the year preceding the scheme year.

Following the default of a number of deposit takers in 2008, the FSCS has borrowed from HM Treasury to fund the compensation costs for customers of those firms. Although the majority of this loan is expected to be repaid from funds, the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £0.6 million for its share of levies that will be raised by the FSCS. The accrual is based on estimates for the interest the FSCS will pay on the loan and estimates of the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. These claims, if any, cannot be reasonably estimated at this time, but the group does not expect the ultimate resolution of any of the proceedings to which the group is party to have a significant adverse effect on the financial position of the group.

Investec Bank plc has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum ex transactions). Investigations are ongoing and no formal proceedings have yet been issued. Investec Bank plc is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties.

For the year to 31 March £'000	2019	2018

48. Related party transactions

Compensation of key management personnel

Details of Directors' remuneration and interest in shares, including the disclosures required by IAS 24 Related party transactions for the compensation of key management personnel, are disclosed in the Directors' remuneration report on pages 117 to 136.

Transactions, arrangements and agreements involving directors and others:

Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

Group and Company

Directors, key management and connected persons and companies controlled by them

For the year to 31 March £'000	2019	2018
Loans		
At the beginning of the year	31 942	30 806
Increase in loans	1 127	9 520
Repayment of loans	(29 564)	(8 464)
Exchange adjustments	(29)	80
At the end of the year	**3 476**	**31 942**
Guarantees		
At the beginning of the year	287	6 243
Additional guarantees granted	–	283
Guarantees cancelled	(287)	(6 236)
Exchange adjustments	–	(3)
At the end of the year	**–**	**287**
Deposits		
At the beginning of the year	(23 158)	(35 373)
Increase in deposits	(4 464)	(7 529)
Decrease in deposits	18 826	19 687
Exchange adjustments	29	57
At the end of the year	**(8 767)**	**(23 158)**

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

For the year ended 31 March 2019 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total

48. Related party transactions *(continued)*

Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	18 213	18 213
Bank debt securities	9 878	–	9 878
Derivative financial instruments	5 645	14 488	20 133
Other loans and advances	38 487	–	38 487
Other assets	–	13 949	13 949
Liabilities			
Deposits by banks	–	2 701	2 701
Repurchase agreements and cash collateral on securities lent	–	19 660	19 660
Derivative financial instruments	–	32 867	32 867
Customer accounts (deposits)	353 456	9 239	362 695
Debt securities in issue	–	36 949	36 949
Other liabilities	–	22 267	22 267

For the year ended 31 March 2018 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Group			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	18 727	18 727
Bank debt securities	9 875	–	9 875
Derivative financial instruments	12 936	2 974	15 910
Other loans and advances	56 815	–	56 815
Other assets	–	5 982	5 982
Liabilities			
Deposits by banks	–	49 130	49 130
Repurchase agreements and cash collateral on securities lent	–	21 036	21 036
Derivative financial instruments	337 256	8 212	345 468
Customer accounts (deposits)	–	38 107	38 107
Debt securities in issue	–	17 883	17 883
Other liabilities	–	26 256	26 256

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

In the normal course of business, services are provided between Investec Bank plc and other companies in the group. In the year to 31 March 2019, Investec Bank plc paid £12.6 million (2018: £3.6 million) to Investec Limited group and its fellow subsidiaries and received £7.8 million (2018: £14.4 million) from Investec plc and its fellow subsidiaries for these services.

During the year to 31 March 2019, Investec Wealth & Investment Limited received a net amount of £1,600 for research services provided by Grovepoint (UK) Limited (2018: paid a net £27 000 for research fees provided by Grovepoint (UK) Limited). Bradley Fried is a former non-executive director of Investec Wealth & Investment Limited, and a current director of Grovepoint (UK) Limited.

In the year to 31 March 2019 Investec Bank (Channel Islands) Ltd did not issue any guarantees (2018: £2.2 million) to Investec Bank Limited.

During the year to 31 March 2019, interest of £2.6 million (2018: £2.4 million) was paid to entities in the Investec Limited group and £4.4 million (2018: £3.3 million) was paid to Investec plc and fellow subsidiaries. Interest of £481 000 (2018: £468 000) was received from the Investec Limited group and interest of £4.1 million (2018: £2.8 million) was received from Investec plc and fellow subsidiaries.

48. Related party transactions *(continued)*

£'000	2019	2018
Interest income from loans to associates and joint venture holdings	–	516

The above joint ventures holdings arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Balances and transactions between members of the Investec Bank plc group

In accordance with IFRS 10 Consolidated Financial Statements, transactions and balances between the company and its subsidiary undertakings, and between those subsidiary undertakings, have all been eliminated on consolidation and thus are not reported as related party transactions of the group.

The company, as a result of its position as parent of a banking group, has a large number of transactions with various of its subsidiary undertakings; these are included on the balance sheet of the company as follows:

For the year ended 31 March £'000	2019	2018
Company		
Assets		
Other debt securities	520 091	520 103
Derivative financial instruments	10 486	5 551
Other loans and advances	2 518 558	2 112 927
Other assets	51 253	19 458
Liabilities		
Deposits by banks	294 354	509 335
Derivative financial instruments	13 583	4 325
Customer accounts (deposits)	1 066 784	1 076 364
Other liabilities	35 403	8 091

Balances and transactions with Investec plc and Investec Limited and fellow subsidiaries of Investec Bank plc

The company and its subsidiaries have balances due to and from its parent company, Investec plc, and Investec Limited and fellow subsidiaries. These are included on the balance sheet as follows:

For the year ended 31 March 2019 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	18 048	18 048
Other debt securities	9 884	–	9 884
Derivative financial instruments	5 645	3 153	8 798
Other loans and advances	38 537	–	38 537
Other assets	–	12 621	12 621
Liabilities			
Deposits by banks	–	3 503	3 503
Repurchase agreements and cash collateral on securities lent	–	19 660	19 660
Derivative financial instruments	–	21 532	21 532
Customer accounts (deposits)	342 059	8 203	350 262
Other liabilities	40 438	14 803	55 241

48. Related party transactions *(continued)*

For the year ended 31 March 2018 £'000	Investec plc and subsidiaries	Investec Limited and subsidiaries	Total
Company			
Transactions with other related parties			
Assets			
Loans and advances to banks	–	17 735	17 735
Other debt securities	9 875	–	9 875
Derivative financial instruments	12 936	2 974	15 910
Other loans and advances	56 815	–	56 815
Other assets	371	6 302	6 673
Liabilities			
Deposits by banks	–	49 325	49 325
Repurchase agreements and cash collateral on securities lent	–	17 883	17 883
Derivative financial instruments	–	21 036	21 036
Customer accounts (deposits)	327 436	8 204	335 640
Other liabilities	26 515	12 895	39 410

49. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group						
2019						
Assets	Interest rate swap	(13 190)	(13 190)	(1 428)	13 078	2 231
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 288)	**(12 288)**	**(908)**	**12 203**	**1 608**
2018						
Assets	Interest rate swap	(11 762)	(11 762)	33 191	10 847	(32 677)
Liabilities	Interest rate swap	382	382	(6 279)	(252)	6 326
		(11 380)	**(11 380)**	**26 912**	**10 595**	**(26 351)**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

49. Hedges *(continued)*

Hedged items

At 31 March 2019^	Carrying amount of the hedged item
Group	
Assets	
Sovereign debt securities	39 234
Other debt securities	14 913
Loans and advances to customers	1 916 298
Liabilities	
Customer accounts (deposits)	411 019

Maturity analysis of hedged item

At 31 March 2019^ £'000	Up to one month	One month to three months	Three to six months	Six months to one year	One to five years	Greater than five years	Total
Group							
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	**38 378**
Other debt securities	–	–	–	–	9 478	5 087	**14 565**
Loans and advances to customers	–	3 021	315	9 497	1 709 721	183 744	**1 906 298**
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	**408 716**

^ *As permitted by IFRS 9, the group has elected not to restate comparatives.*

Included within balance sheet management and other trading activities is a £1.1 million gain relating to hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable on interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative gains fair value or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Company						
2019						
Assets	Interest rate swap	(12 991)	(12 991)	(927)	12 864	1 745
Liabilities	Interest rate swap	902	902	520	(875)	(623)
		(12 089)	**(12 089)**	**(407)**	**11 989**	**1 122**
2018						
Assets	Interest rate swap	(12 063)	(12 063)	32 810	11 118	(32 332)
Liabilities	Interest rate swap	382	382	(6 279)	(252)	6 326
		(11 681)	**(11 681)**	**26 531**	**10 866**	**(26 006)**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

49. Hedges *(continued)*

Hedged items

At 31 March 2019^	Carrying amount of the hedged item
Company	
Assets	
Sovereign debt securities	39 234
Other debt securities	14 913
Loans and advances to customers	1 883 849
Liabilities	
Customer accounts (deposits)	411 019

Maturity analysis of hedged item

At 31 March 2019^ £'000	Up to one month	One month to three months	Three to six months	Six months to one year	One to five years	Greater than five years	Total
Company							
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	**38 378**
Other debt securities	–	–	–	–	9 478	5 087	**14 565**
Loans and advances to customers	–	8	315	9 497	1 709 721	151 613	**1 871 154**
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	**408 716**

^ *As permitted by IFRS 9, the group has elected not to restate comparatives.*

Included within balance sheet management and other trading activities is a £1.1 million gain relating to hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

Hedges of net investments in foreign operates

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australia Dollars, in the Australian operations of the group.

At 31 March	2019	2018
Group		
Hedging instrument positive fair value	**–**	**628**
Hedging instrument negative fair value	**533**	**–**

There was no ineffective portion recognised in the income statement for the current or prior year.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2019								
Liabilities								
Deposits by banks	152 431	1 293	5 540	7 101	357 580	831 094	16 461	1 371 500
Derivative financial instruments	272 122	2 305	79 951	63 738	96 270	191 531	36 011	741 928
Derivative financial instruments – held for trading	119 079	–	–	–	–	–	–	119 079
Derivative financial instruments – held for hedging risk	153 043	2 305	79 951	63 738	96 270	191 531	36 011	622 849
Other trading liabilities	80 217	–	–	–	–	–	–	80 217
Repurchase agreements and cash collateral on securities lent	132 973	–	181 362	–	–	–	–	314 335
Customer accounts (deposits)	4 367 848	1 224 485	2 320 403	2 174 276	1 608 825	1 779 543	118 806	13 594 186
Debt securities in issue		87 817	59 684	129 671	323 128	1 305 722	270 740	2 176 762
Liabilities arising on securitisation of other assets	–	–	2 951	2 767	5 345	44 422	84 315	139 800
Other liabilities	89 466	544 157	130 327	28 000	19 858	58 425	31 381	901 614
Subordinated liabilities	–	–	29 641	–	17 850	468 286	509 250	1 025 027
Total on balance sheet liabilities	**5 095 057**	**1 860 057**	**2 809 859**	**2 405 553**	**2 428 856**	**4 679 023**	**1 066 964**	**20 345 369**
Contingent liabilities	5 601	2 471	2 970	110 774	23 683	305 835	44 155	495 489
Commitments	129 098	113 996	31 169	39 690	142 088	815 987	240 051	1 512 079
Total liabilities	**5 229 756**	**1 976 524**	**2 843 998**	**2 556 017**	**2 594 627**	**5 800 845**	**1 351 170**	**22 352 937**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows please refer to pages 68 to 69.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows
(continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2018								
Liabilities								
Deposits by banks	106 133	42 078	4 288	5 418	56 356	1 131 139	7 680	1 353 092
Derivative financial instruments	129 442	19 157	54 522	29 138	42 107	272 405	61 418	608 189
Derivative financial instruments – held for trading	73 175	–	–	–	–	–	–	73 175
Derivative financial instruments – held for hedging risk	56 267	19 157	54 522	29 138	42 107	272 405	61 418	535 014
Other trading liabilities	103 496	–	–	–	–	–	–	103 496
Repurchase agreements and cash collateral on securities lent	150 757	–	17 883	–	–	–	–	168 640
Customer accounts (deposits)	3 522 607	1 302 002	2 093 445	1 426 118	1 301 838	2 310 510	76 052	12 032 572
Debt securities in issue		23 570	57 656	98 017	203 077	1 307 508	433 070	2 122 898
Liabilities arising on securitisation of other assets	–	–	3 641	3 494	6 776	52 190	78 834	144 935
Other liabilities	76 273	665 503	158 911	34 540	13 785	51 596	8 641	1 009 249
Subordinated liabilities	–	–	–	–	55 344	740 175	–	795 519
Total on balance sheet liabilities	**4 088 708**	**2 052 310**	**2 390 346**	**1 596 725**	**1 679 283**	**5 865 523**	**665 695**	**18 338 590**
Contingent liabilities	7 743	787	4 577	22 843	6 536	96 685	3 872	143 043
Commitments	183 275	55 455	19 418	20 836	102 104	646 645	88 612	1 116 345
Total liabilities	**4 279 726**	**2 108 552**	**2 414 341**	**1 640 404**	**1 787 923**	**6 608 853**	**758 179**	**19 597 978**

50. Liquidity analysis of financial liabilities based on undiscounted cash flows *(continued)*

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2019								
Liabilities								
Deposits by banks	433 385	1 293	4 118	5 564	354 655	737 036	16 461	1 552 512
Derivative financial instruments	222 266	2 305	79 951	63 738	96 270	191 531	35 957	692 018
Derivative financial instruments – held for trading	69 223	–	–	–	–	–	–	69 223
Derivative financial instruments – held for hedging risk	153 043	2 305	79 951	63 738	96 270	191 531	35 957	622 795
Other trading liabilities	80 217	–	–	–	–	–	–	80 217
Repurchase agreements and cash collateral on securities lent	132 973	–	181 362	–	–	–	–	314 335
Customer accounts (deposits)	3 950 363	1 154 175	1 840 316	2 336 606	1 597 846	1 766 817	107 544	12 753 667
Debt securities in issue	–	87 301	59 028	128 962	321 775	1 300 471	260 124	2 157 661
Other liabilities	99 060	330 200	83 605	6 928	8 750	32 985	22 514	584 042
Subordinated liabilities	–	–	29 641	–	17 850	468 286	509 250	1 025 027
Total on balance sheet liabilities	**4 918 264**	**1 575 274**	**2 278 021**	**2 541 798**	**2 397 146**	**4 497 126**	**951 850**	**19 159 479**
Contingent liabilities	5 601	903	2 970	110 774	14 953	265 417	44 348	444 966
Commitments	11 285	113 959	31 222	38 533	134 704	743 941	239 612	1 313 256
Total liabilities	**4 935 150**	**1 690 136**	**2 312 213**	**2 691 105**	**2 546 803**	**5 506 484**	**1 235 810**	**20 917 701**

The balances in the above table will not agree directly to the balances in the company balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

50. Liquidity analysis of financial liabilities based on undiscounted cash flows *(continued)*

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2018								
Liabilities								
Deposits by banks	600 195	42 078	3 073	4 255	54 030	1 040 206	7 680	1 751 517
Derivative financial instruments	122 034	19 157	54 522	29 138	42 107	272 405	61 418	600 781
Derivative financial instruments – held for trading	65 767	–	–	–	–	–	–	65 767
Derivative financial instruments – held for hedging risk	56 267	19 157	54 522	29 138	42 107	272 405	61 418	535 014
Other trading liabilities	103 496	–	–	–	–	–	–	103 496
Repurchase agreements and cash collateral on securities lent	150 757	–	17 883	–	–	–	–	168 640
Customer accounts (deposits)	2 513 659	1 210 746	1 594 985	1 310 144	1 276 336	3 076 190	66 048	11 048 108
Debt securities in issue	–	23 570	57 648	98 017	203 077	1 275 831	440 694	2 098 837
Other liabilities	77 362	413 536	117 960	12 222	5 452	21 325	2 522	650 379
Subordinated liabilities	–	–	–	–	55 344	741 031	–	796 375
Total on balance sheet liabilities	**3 567 503**	**1 709 087**	**1 846 071**	**1 453 776**	**1 636 346**	**6 426 988**	**578 362**	**17 218 133**
Contingent liabilities	7 549	787	570	22 843	6 299	82 001	3 678	123 727
Commitments	51 379	51 880	18 943	17 149	89 507	616 008	88 612	933 478
Total liabilities	**3 626 431**	**1 761 754**	**1 865 584**	**1 493 768**	**1 732 152**	**7 124 997**	**670 652**	**18 275 338**

51. Principal subsidiaries and associated companies – Investec Bank plc

At 31 March	Principal activity	Country of incorporation	Interest 2019	Interest 2018
Direct subsidiaries of Investec Bank plc				
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Asset Finance PLC	Leasing	England and Wales	100.0%	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Finance Limited	Debt issuer	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Indirect subsidiary undertakings of Investec Bank plc				
Investec Capital and Investments (Ireland) Limited	Financial services	Ireland	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Wealth & Investments Limited	Investment management services	England and Wales	100.0%	100.0%
Williams de Broë Limited	Stockbroking and portfolio	England and Wales	100.0%	100.0%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

A complete list of subsidiary, associated undertakings and joint ventures holdings as required by the Companies Act 2006 is included in note 57 on pages 275 to 278.

Consolidated structured entities

Investec Bank plc has no equity interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	*Type of structured entity*
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 27.

Details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 60.

51. Principal subsidiaries, associated companies and joint venture holdings – Investec Bank plc *(continued)*

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The group has securitised a portfolio of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity-like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £93.7 million (2018: £77.9 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the group is discussed in the risk management report on pages 79 to 81.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 46 and 54.

51. Principal subsidiaries, associated companies and joint ventures holdings – Investec Bank plc *(continued)*

Structured associates

The group has investments in a number of structured funds specialising in aircraft financing where the group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the group has significant influence over the fund and therefore the funds are treated as associates.

The group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	*Nature and purpose*	*Interest held by the group/income earned*
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

31 March 2019 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	3 438	Limited to the carrying value	Investment income	1 367

31 March 2018 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	11 307	Limited to the carrying value	Investment income	2 501

52. Unconsolidated structured entities

At 31 March 2019

The table below describes the types of structured entities that the group does not consolidate, but in which it holds an interest and original set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 160 to 169.

Type of structured entity	*Nature and purpose*	*Interest held by the group/income earned*
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

52. Unconsolidated structured entities *(continued)*

The table below sets out an analysis of the carrying amounts of interests held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

At 31 March 2019	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	309	Limited to the carrying value	7 708	Investment loss	(208)
Residential mortgage securitisations	Other debt securities	4 026	Limited to the carrying value	91 238	Net interest expense	(16)
					Investment income	204
	Other loans and advances	7 437	Limited to the carrying value	129 200	Net interest expense	(215)

At 31 March 2018	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	3 059	Limited to the carrying value	63 862	Investment loss	(571)
Residential mortgage securitisations	Sovereign debt securities	2 145	Limited to the carrying value	2 145	Investment loss	(2)
	Other debt securities	4 498	Limited to the carrying value	85 148	Investment income	217
					Net interest expense	(25)
	Other loans and advances	8 702	Limited to the carrying value	141 559	Net interest income	254

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year the group has not provided any such support and does not have any current intentions to do so in the future.

52. Unconsolidated structured entities *(continued)*

Sponsoring

The group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The table below sets out information in respect of structured entities that the group sponsors, but in which the group does not have an interest.

Structured entities with no interest held

	2019	2018
	Structured CDO and CLO securitisation^	Structured CDO and CLO securitisation^
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

^ *Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).*

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 60.

At 31 March £'000	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Cash collateral	Net amount
53. Offsetting						
Group						
2019						
Assets						
Cash and balances at central banks	4 445 430	–	4 445 430	–	–	4 445 430
Loans and advances to banks	954 938	–	954 938	–	(133 458)	821 480
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	–	633 202	(77 985)	(1 087)	554 130
Sovereign debt securities	1 298 947	–	1 298 947	(73 166)	–	1 225 781
Bank debt securities	52 265	–	52 265	–	–	52 265
Other debt securities	508 142	–	508 142	–	–	508 142
Derivative financial instruments	642 530	–	642 530	(268 182)	(90 734)	283 614
Securities arising from trading activities	798 224	–	798 224	(579 642)	–	218 582
Investment portfolio	486 493	–	486 493	–	–	486 493
Loans and advances to customers	10 488 022	–	10 488 022	–	–	10 488 022
Other loans and advances	246 400	–	246 400	–	(328)	246 072
Other securitised assets	118 143	–	118 143	–	–	118 143
Other assets	847 604	–	847 604	–	–	847 604
	21 520 340	**–**	**21 520 340**	**(998 975)**	**(225 607)**	**20 295 758**
Liabilities						
Deposits by banks	1 318 776	–	1 318 776	–	(120 365)	1 198 411
Derivative financial instruments	719 027	–	719 027	(422 583)	(76 590)	219 854
Other trading liabilities	80 217	–	80 217	(77 985)	–	2 232
Repurchase agreements and cash collateral on securities lent	314 335	–	314 335	(134 848)	(5 447)	174 040
Customer accounts (deposits)	13 499 234	–	13 499 234	–	(35 804)	13 463 430
Debt securities in issue	2 050 141	–	2 050 141	(363 559)	(5 337)	1 681 245
Liabilities arising on securitisation of other assets	113 711	–	113 711	–	–	113 711
Other liabilities	900 493	–	900 493	–	–	900 493
Subordinated liabilities	803 699	–	803 699	–	–	803 699
	19 799 633	**–**	**19 799 633**	**(998 975)**	**(243 543)**	**18 557 115**

53. Offsetting *(continued)*

At 31 March £'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
Group						
2018						
Assets						
Cash and balances at central banks	3 487 768	–	3 487 768	–	–	3 487 768
Loans and advances to banks	772 984	–	772 984	–	(156 445)	616 539
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	–	750 428	(84 465)	–	665 963
Sovereign debt securities	1 155 472	–	1 155 472	(105 428)	–	1 050 044
Bank debt securities	107 938	–	107 938	(8 506)	–	99 432
Other debt securities	288 349	–	288 349	–	–	288 349
Derivative financial instruments	610 201	–	610 201	(204 142)	(112 767)	293 292
Securities arising from trading activities	701 728	–	701 728	(522 357)	–	179 371
Investment portfolio	472 083	–	472 083	–	–	472 083
Loans and advances to customers	9 663 172	–	9 663 172	–	–	9 663 172
Other loans and advances	417 747	–	417 747	–	–	417 747
Other securitised assets	132 172	–	132 172	–	–	132 172
Other assets	1 032 705	(19 265)	1 013 440	–	–	1 013 440
	19 592 747	**(19 265)**	**19 573 482**	**(924 898)**	**(269 212)**	**18 379 372**
Liabilities						
Deposits by banks	1 295 847	–	1 295 847	–	(141 152)	1 154 695
Derivative financial instruments	533 319	–	533 319	(260 409)	(67 545)	205 365
Other trading liabilities	103 496	–	103 496	(84 465)	–	19 031
Repurchase agreements and cash collateral on securities lent	187 905	(19 265)	168 640	(119 460)	(14 463)	34 717
Customer accounts (deposits)	11 969 625	–	11 969 625		(8 390)	11 961 235
Debt securities in issue	1 942 869	–	1 942 869	(460 564)	(10 175)	1 472 130
Liabilities arising on securitisation of other assets	127 853	–	127 853	–	–	127 853
Other liabilities	1 009 099	–	1 009 099	–	–	1 009 099
Subordinated liabilities	579 673	–	579 673	–	–	579 673
	17 749 686	**(19 265)**	**17 730 421**	**(924 898)**	**(241 725)**	**16 563 798**

53. Offsetting *(continued)*

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
Company						
2019						
Assets						
Cash and balances at central banks	4 416 585	–	4 416 585	–	–	4 416 585
Loans and advances to banks	226 974	–	226 974	–	(62 507)	164 467
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	–	633 202	(77 985)	(1 087)	554 130
Sovereign debt securities	725 756	–	725 756	(73 166)	–	652 590
Bank debt securities	52 265	–	52 265	–	–	52 265
Other debt securities	1 027 786	–	1 027 786	–	–	1 027 786
Derivative financial instruments	587 326	–	587 326	(255 706)	(87 062)	244 558
Securities arising from trading activities	791 107	–	791 107	(579 642)	–	211 465
Investment portfolio	100 083	–	100 083	–	–	100 083
Loans and advances to customers	7 724 160	–	7 724 160	–	–	7 724 160
Other loans and advances	2 735 286	–	2 735 286	–	(328)	2 734 958
Other securitised assets	6 831	–	6 831	–	–	6 831
Other assets	541 607	–	541 607	–	–	541 607
	19 568 968	**–**	**19 568 968**	**(986 499)**	**(150 984)**	**18 431 485**
Liabilities						
Deposits by banks	1 516 768	–	1 516 768	–	(52 345)	1 464 423
Derivative financial instruments	680 878	–	680 878	(410 107)	(69 987)	200 784
Other trading liabilities	80 217	–	80 217	(77 985)		2 232
Repurchase agreements and cash collateral on securities lent	314 335	–	314 335	(134 848)	(5 447)	174 040
Customer accounts (deposits)	12 659 032	–	12 659 032		(35 804)	12 623 228
Debt securities in issue	2 011 998	–	2 011 998	(363 559)	(5 337)	1 643 102
Other liabilities	583 269	–	583 269	–	–	583 269
Subordinated liabilities	803 699	–	803 699	–	–	803 699
	18 650 196	**–**	**18 650 196**	**(986 499)**	**(168 920)**	**17 494 777**

At 31 March £'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
53. Offsetting *(continued)*						
Company						
2018						
Assets						
Cash and balances at central banks	3 403 196	–	3 403 196	–	–	3 403 196
Loans and advances to banks	275 031	–	275 031	–	(91 462)	183 569
Reverse repurchase agreements and cash collateral on securities borrowed	750 428	–	750 428	(84 465)	–	665 963
Sovereign debt securities	489 454	–	489 454	(105 428)	–	384 026
Bank debt securities	107 938	–	107 938	(8 506)	–	99 432
Other debt securities	810 119	–	810 119	–	–	810 119
Derivative financial instruments	594 295	–	594 295	(199 147)	(107 644)	287 504
Securities arising from trading activities	694 974	–	694 974	(522 357)	–	172 617
Investment portfolio	165 421	–	165 421	–	–	165 421
Loans and advances to customers	7 204 546	–	7 204 546	–	–	7 204 546
Other loans and advances	2 501 592	–	2 501 592	–	–	2 501 592
Other securitised assets	7 000	–	7 000	–	–	7 000
Other assets	724 154	(19 265)	704 889	–	–	704 889
	17 728 148	**(19 265)**	**17 708 883**	**(919 903)**	**(199 106)**	**16 589 874**
Liabilities						
Deposits by banks	1 712 877	–	1 712 877	–	(71 765)	1 641 112
Derivative financial instruments	525 911	–	525 911	(255 414)	(66 824)	203 673
Other trading liabilities	103 496	–	103 496	(84 465)	–	19 031
Repurchase agreements and cash collateral on securities lent	187 905	(19 265)	168 640	(119 460)	(14 463)	34 717
Customer accounts (deposits)	10 971 981	–	10 971 981	–	(8 390)	10 963 591
Debt securities in issue	1 903 560	–	1 903 560	(460 564)	(10 175)	1 432 821
Other liabilities	650 497	–	650 497	–	–	650 497
Subordinated liabilities	580 529	–	580 529	–	–	580 529
	16 636 756	**(19 265)**	**16 617 491**	**(919 903)**	**(171 617)**	**15 525 971**

54. Derecognition

Group

Transfer of financial assets that do not result in derecognition

The group has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2019		2018	
No derecognition achieved £'000	**Carrying amount of assets that are continued to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	680 860	–	292 322	–
Loans and advances to banks	65 815	–	–	–
Other loans and advances	–	–	129 773	–
	746 675	**–**	**422 095**	**–**

The transferred assets above in both current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating on these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 19.

Company

Transfer of financial assets that do not result in derecognition

The company has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2019		2018	
No derecognition achieved £'000	**Carrying amount of assets that are continued to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Other loans and advances	–	–	129 773	–
	–	**–**	**129 773**	**–**

The transferred assets above in both current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating on these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 19.

At 31 March £'000	2019	2018
55. Investment in subsidiary companies		
Cost		
At the beginning of the year	982 894	1 007 740
Adjustment to acquisition cost within measurement period	(44)	–
Acquisitions of subsidiaries	355	2 532
Return of capital by subsidiary	(29 123)	(29 344)
Recapitalisation of subsidiaries	15 381	1 956
Exchange adjustments	(16)	10
At the end of the year	**969 447**	**982 894**
Provision for impairment in value		
At the beginning of the year	(104 908)	(104 908)
Release of impairment	–	–
At the end of the year	**(104 908)**	**(104 908)**
Carrying value at the end of the year	**864 539**	**877 986**

All subsidiary undertakings are unlisted.

56. Transition disclosures

Overview of the group's IFRS 9 transition impact

The adoption of IFRS 9 has resulted in the following day one impact for the group:

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions increased by £105 million from £158 million as at 31 March 2018 to £263 million as at 1 April 2018. This is driven by an increase in legacy impairments of £58 million and an increase in ongoing impairments of £68 million, partially offset by a reduction of £21 million as a result of changes in classification and measurement of certain of the group's financial assets to fair value. The increase in impairment allowance and provisions reduced the group's common equity tier 1 (CET 1) ratio by approximately 69bps on full adoption of IFRS 9 or approximately 3bps on a 'day one' impact transitional basis.

Changes in classification and measurement of certain financial assets

Changes in classification and measurement to fair value of certain of the group's other financial assets resulted in a decrease to equity of £11 million (post taxation), with an approximate 8bps impact on the group CET 1 ratio.

Reclassification of subordinated liabilities to fair value

Following the adoption of IFRS 9 the group has elected to designate its subordinated liabilities to fair value. From this designation, the interest rate portion of the subordinated debt reduced equity by £48 million (post taxation) with an approximate 38bps impact on the day one transitional CET 1 ratio which will come back into retained earnings over the duration of the remaining term of the instrument (maturing February 2022). In addition, an amount of £55 million (post taxation) has been transferred to an own credit reserve which does not have an impact on capital ratios.

Taken together, the adoption of IFRS 9 resulted in a decrease in the group's transitional CET 1 ratio of approximately 49bps from 11.8% to 11.3%, ahead of the Investec group target and in excess of minimum regulatory requirements. The group confirmed to the PRA that it would use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

All references to the impact on capital as a result of the IFRS 9 transition contained on this page are unaudited.

56. Transition disclosures *(continued)*

Reconciliation of movements and revaluation

The table below reflects the impact of IFRS 9 implementation on the balance sheet lines and shows movements between amortised cost and fair value:

Only assets and liabilities which have changes are shown.

£'000	IAS 39 carrying amount 31 March 2018	Reclassifications (in)	Reclassifications (out)	Remeasurements and ECLs	IFRS 9 carrying amount 1 April 2018
Group					
Financial assets at amortised cost (previously loans and receivables)					
Cash and balances at central banks	3 479 984	–	–	(52)	3 479 932
Loans and advances to banks	772 984	–	–	(753)	772 231
Reverse repurchase agreements and cash collateral on securities borrowed	712 550	–	–	(326)	712 224
Bank debt securities	107 938	–	(49 301)	(48)	58 589
Other debt securities	209 250	29 098	(87 887)	(5 174)	145 287
Loans and advances to customers	9 529 432	–	(1 191 063)	(109 875)	8 228 494
Other loans and advances	417 747	–	(2 454)	(2 078)	413 215
Other assets	730 754	–	–	*	730 754
Financial assets at fair value through profit or loss (mandatory and designated)^					
Cash and balances at central banks	7 784	–	–	–	7 784
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	–	–	37 878
Bank debt securities	–	52 044	–	2 641	54 685
Other debt securities	79 099	87 887	(29 098)	(1 236)	136 652
Derivative financial instruments	610 201	–	(5 353)	–	604 848
Securities arising from trading activities	701 728	–	–	–	701 728
Investment portfolio	472 083	–	–	–	472 083
Loans and advances to customers	133 740	1 193 673	–	(16 049)	1 311 364
Other loans and advances	–	2 454	–	(3)	2 451
Other securitised assets	132 172	–	–	–	132 172
Other assets	57 218	–	–	–	57 218
Financial liabilities at amortised cost					
Other liabilities	(790 689)	–	–	(5 857)	(796 546)
Subordinated liabilities	(579 673)	–	579 673	–	–
Financial liabilities at fair value					
Subordinated liabilities	–	(579 673)	–	(136 891)	(716 564)
Off balance sheet exposures[1]					
Guarantees	–	–	–	(139)	(139)
Committed facilities related to loans and advances to customers	–	–	–	(5 715)	(5 715)

1 *ECL on off balance sheet exposures is booked as a provision in other liabilities.*
* *Less than £1 000.*
^ *Includes £402 million of sell down exposures held at fair value through other comprehensive income.*

56. Transition disclosures *(continued)*

Overview of the bank's IFRS 9 transition impact

The adoption of IFRS 9 has resulted in the following day one impact for the company:

Balance sheet impairment allowance and provisions

Total balance sheet impairment allowance and provisions increased by £88 million from £163 million as at 31 March 2018 to £251 million as at 1 April 2018. The increase in impairment allowance and provisions reduced the company's common equity tier 1 (CET 1) ratio by approximately 69bps on full adoption of IFRS 9 or approximately 3bps on a 'day one' impact transitional basis.

Changes in classification and measurement of certain financial assets

Changes in classification and measurement to fair value of certain of the company's other financial assets resulted in a decrease to equity of £10 million (post taxation), with an approximate 9bps impact on the company CET 1 ratio.

Reclassification of subordinated liabilities to fair value

Following the adoption of IFRS 9 the company has elected to designate its subordinated liabilities to fair value. From this designation, the interest rate portion of the subordinated debt reduced equity by £48 million (post taxation) with an approximate 45bps impact on the day one transitional CET 1 ratio which will come back into retained earnings over the duration of the remaining term of the instrument (maturing February 2022). In addition, an amount of £55 million (post taxation) has been transferred to an own credit reserve which does not have an impact on capital ratios.

Taken together, the adoption of IFRS 9 resulted in a decrease in the company's transitional CET 1 ratio of approximately 58bps from 11.1% to 10.5%, ahead of the Investec group target and in excess of minimum regulatory requirements. The company confirmed to the PRA that it would use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations.

All references to the impact on capital as a result of the IFRS 9 transition contained on this page are unaudited.

56. Transition disclosures *(continued)*

Reconciliation of movements and revaluation

The table below reflects the impact of IFRS 9 implementation on the balance sheet lines and shows movements between amortised cost and fair value:

Only assets and liabilities which have changes are shown.

£'000	IAS 39 carrying amount 31 March 2018	Reclassifications (in)	Reclassifications (out)	Remeasurements and ECLs	IFRS 9 carrying amount 1 April 2018
Company					
Financial assets at amortised cost (previously loans and receivables)					
Cash and balances at central banks	3 395 412	–	–	(6)	3 395 406
Loans and advances to banks	275 031	–	–	(484)	274 547
Reverse repurchase agreements and cash collateral on securities borrowed	712 550	–	–	(326)	712 224
Sovereign debt securities	–	–	–	–	–
Bank debt securities	107 938	–	(49 301)	(48)	58 589
Other debt securities	729 352	29 098	(87 887)	(5 179)	665 384
Loans and advances to customers	7 101 055	–	(1 137 292)	(91 334)	5 872 429
Other loans and advances	2 501 592	–	(19 374)	(4 558)	2 477 660
Other assets	481 198	–	–	*	481 198
Financial assets at fair value through profit or loss (mandatory and designated)^					
Cash and balances at central banks	7 784	–	–	–	7 784
Reverse repurchase agreements and cash collateral on securities borrowed	37 878	–	–	–	37 878
Sovereign debt securities	489 454	–	–	–	489 454
Bank debt securities	–	52 044	–	2 641	54 685
Other debt securities	80 767	87 887	(29 089)	(936)	138 629
Derivative financial instruments	594 295	–	(5 352)	–	588 943
Securities arising from trading activities	694 974	–	–	–	694 974
Investment portfolio	165 421	–	–	–	165 421
Loans and advances to customers	103 491	1 139 892	–	(15 468)	1 227 915
Other loans and advances	–	19 374	–	(3)	19 371
Other securitised assets	7 000	–	–	–	7 000
Other assets	57 218	–	–	–	57 218
Financial liabilities at amortised cost					
Other liabilities	(509 019)	–	–	(5 179)	(514 198)
Subordinated liabilities	(580 529)	–	590 529	–	–
Financial liabilities at fair value					
Subordinated liabilities	–	(580 529)	–	(136 891)	(717 420)
Off balance sheet exposures[1]					
Guarantees	–	–	–	(64)	(64)
Committed facilities related to loans and advances to customers	–	–	–	(5 115)	(5 115)

1 *ECL on off balance sheet exposures is booked as a provision in other liabilities.*
* *Less than £1 000.*
^ *Includes £408 million of sell down exposures held at fair value through other comprehensive income.*

56. Transition disclosures *(continued)*

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

£'000	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	ECL under IFRS 9
Group				
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and balances at central banks	–	–	(52)	(52)
Loans and advances to banks	–	–	(753)	(753)
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	(326)	(326)
Bank debt securities	–	–	(48)	(48)
Sovereign debt securities	–	–	–	–
Other debt securities	(5 087)	4 803	(5 174)	(5 458)
Loans and advances to customers	(151 840)	15 980	(109 875)	(245 735)
Other loans and advances	(822)	–	(2 078)	(2 900)
Other assets	–	–	–	–
	(157 749)	**20 783**	**(118 306)**	**(255 272)**
Available for sale/Financial assets FVOCI (IFRS 9)				
Sovereign debt securities	–	–	(461)	(461)
Loans and advances to customers	–	–	(1 687)	(1 687)
	–	–	**(2 148)**	**(2 148)**
Loan commitments and financial guarantee contracts				
Guarantees	–	–	(139)	(139)
Committed facilities (core loans)	–	–	(5 715)	(5 715)
	–	–	**(5 854)**	**(5 854)**
Total	**(157 749)**	**20 783**	**(126 308)**	**(263 274)**

The impact of transition to IFRS 9 on equity

Only components of equity which have changed are shown.

£'000	Other reserves	Retained income	Total
Group			
Closing balance under IAS 39	7 344	512 006	519 350
Recognition of ECL including those measured at FVOCI	2 134	(126 619)	(124 485)
Remeasurement impact of reclassifying financial assets held at amortised cost to FVPL	–	(14 356)	(14 356)
Impact of recognising credit risk for financial liabilities designated at FVPL in own credit reserve	(73 100)	–	(73 100)
Remeasurement impact of the reclassification of financial liabilities at amortised cost reclassified to FVPL	–	(63 791)	(63 791)
Investment securities from AFS to FVPL	(9 343)	9 343	–
Debt securities from AFS to amortised cost	(244)	244	–
Deferred taxation^	17 195	46 873	64 068
Opening balance under IFRS 9	**(56 014)**	**363 700**	**307 686**

^ *A UK corporation tax deduction will be available on ECLs generated with the UK entities over the next 10 years. Accordingly, a deferred tax asset has been recognised at the tax rate which it is expected to unwind in the future.*

56. Transition disclosures *(continued)*

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior year's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 April 2018:

£'000	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	ECL under IFRS 9
Company				
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and balances at central banks	–	–	(7)	(7)
Loans and advances to banks	–	–	(484)	(484)
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	(326)	(326)
Bank debt securities	–	–	(48)	(48)
Sovereign debt securities	–	–	–	–
Other debt securities	(5 087)	4 803	(5 179)	(5 463)
Loans and advances to customers	(141 421)	15 980	(91 334)	(216 775)
Other loans and advances	(16 152)	–	(4 558)	(20 710)
Other assets	–	–	–	–
	(162 660)	**20 783**	**(101 936)**	**(243 813)**
Available for sale/Financial assets FVOCI (IFRS 9)				
Sovereign debt securities	–	–	(461)	(461)
Other debt securities	–	–	–	–
Loans and advances to customers	–	–	(1 356)	(1 356)
	–	–	**(1 817)**	**(1 817)**
Loan commitments and financial guarantee contracts				
Guarantees	–	–	(64)	(64)
Committed facilities (core loans)	–	–	(5 115)	(5 115)
Other	–	–	–	–
	–	–	**(5 179)**	**(5 179)**
Total	**(162 660)**	**20 783**	**(108 932)**	**(250 809)**

The impact of transition to IFRS 9 on equity

Only components of equity which have changed are shown.

£'000	Other reserves	Retained income	Total
Company			
Closing balance under IAS 39	(3 033)	261 370	258 337
Recognition of ECL including those measured at FVOCI	1 817	(108 914)	(107 097)
Remeasurement impact of reclassifying financial assets held at amortised cost to FVPL	–	(13 786)	(13 786)
Impact of recognising credit risk for financial liabilities designated at FVPL in own credit reserve	(73 100)	–	(73 100)
Remeasurement impact of the reclassification of financial liabilities at amortised cost reclassified to FVPL	–	(63 791)	(63 791)
Investment securities from AFS to FVPL	562	(562)	–
Debt securities from AFS to amortised cost	(244)	244	–
Deferred taxation^	17 272	45 016	62 288
Opening balance under IFRS 9	**(56 726)**	**119 577**	**62 851**

^ *A UK corporation tax deduction will be available on ECLs generated with the UK entities over the next 10 years. Accordingly, a deferred tax asset has been recognised at the tax rate which it is expected to unwind in the future.*

The requirements of IFRS 9 'Financial Instruments' were adopted from 1 April 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group is not restating comparatives on initial application as permitted by IFRS 9.

The accounting policies related to financial instruments as at 31 March 2018 under IAS 39 'Financial Instruments: Recognition and Measurement' are noted below:

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at settlement date.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss. Financial instruments classified as held-for trading or designated as held at fair value through profit or loss are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with intention of generating short-term profits, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition. Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- it eliminates or significantly reduces an inconsistent measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- a contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates as at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest rate method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows over the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'. Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominately focuses on the securitisation of residential and commercial mortgages. The group also trades in structured credit investments. The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity the impact is that the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain debt instruments that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets. Financial assets classified as available-for-sale are measured at fair value, with unrealised gains or losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement. Interest earned while holding available-for-sale financial assets is reported in the income statement as interest income using the effective interest rate. Dividends earned while holding available-for-sale financial assets are recognised in the income statement when the right to payment has been established. If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified. Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss. Non-trading liabilities are recorded at amortised cost applying the effective interest rate method. Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value. All changes in fair value of financial liabilities are recognised in the income statement.

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, when the instrument is rerecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not specifically identified losses across the loan portfolios (i.e. exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment. Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement. To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets, or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets. A financial liability is derecognised when it is extinguished, i.e. when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative financial instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively. Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profits or losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed below). Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading. Credit derivatives are entered into largely for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit or loss, based on the remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a standalone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. Where the instrument does not meet the definition of a derivative due to its value being dependent on non-financial variables, it is accounted for as an executory contract.

At 31 March 2019	Principal activity	Interest held
57. Subsidiaries		
**Directly owned by Investec Bank plc*		
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Rensburg Sheppards Plc*	Holding company	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee services	100%
Investec Click & Invest Limited	Investment management services	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
R S Trustees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
Williams De Broë Limited	Non-trading	100%
PIF Investments Ltd*	Dormant	100%
Beeson Gregory Index Nominees Limited*	Dormant nominee company	100%
EVO Nominees Limited*	Dormant nominee company	100%
Evolution Securities Nominees Limited*	Dormant nominee company	100%
Investec Asset Finance (Capital No. 3) Limited*	Leasing company	100%
Investec Asset Finance (Management) Limited*	Leasing company	100%
The Leasing Acquisition General Partnership*	Leasing partnership	
Investec Bank (Nominees) Limited*	Nominee company	100%
Investec Finance Ltd*	Debt issuance	100%
Investec Group Investments (UK) Limited*	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
GFT Holdings Limited	Holding company	100%
Investec Investment Trust plc*	Debt issuer	100%
Investec Investments (UK) Limited*	Investment holding company	100%
Panarama Properties (UK) Limited	Property holding company	100%
Inv-German Retail Ltd	Property company	100%
Investec Securities Limited	Investment holding company	100%
PEA Leasing Limited*	Dormant	100%
Technology Nominees Limited*	Nominee	100%
Torteval LM Limited*	Investment holding company	100%
Torteval Funding LLP*	Financing company	100%
Tudor Tree Properties Limited*	Property company	100%
Willbro Nominees Limited*	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Capital Solutions No 1 Limited*	Lending company	100%
Investec Capital Solutions Limited*	Lending company	100%
Diagonal Nominees Limited*	Nominee company	100%
F&K SPF Limited*	Property company	100%
Via Novus Limited*	Investment holding company	49.93%
INVC LLP	Investment company	100%
PSV Marine Ltd*	Investment company	100%
PSV Anjail Ltd	Investment company	100%
PSV Randeep Ltd	Investment company	100%
Registered office: 30 Gresham Street, London EC2V 7QN		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc*	Leasing company	100%

At 31 March 2019	Principal activity	Interest held
57. Subsidiaries *(continued)*		
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Australia Property Holdings Pty Ltd *	Holding company for property investment	100%
Investec Propco Pty Ltd	Property fund trustee	100%
Investec Property Ltd	Property fund trustee	100%
Investec Property Management Pty Ltd	Property fund manager	100%
Investec Wentworth Pty Limited	Security trustee	100%
Investec Holdings Australia Limited *	Holding company	100%
Investec Australia Property Investments Pty Ltd	Holding company for property investment	100%
Investec Australia Finance Pty Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	100%
Bowden (Lot 32) Direct Pty Ltd	Development company	100%
Investec Australia Direct Investments Pty Limited	Investment company	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
IEC Funds Management Pty Limited	Fund manager	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate Director	100%
GFT Directors Limited	Corporate Director	100%
Registered office: PO Box 186 Road Town, Tortola, British Virgin Islands		
Curlew Investments Limited	Investment holding company	100%
Canada		
Registered office: 44 Chipman Hill Suite 1000, Saint John NB, E2L 4S6, Canada		
Investec North America Limited *	Trading company	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
France		
Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, FRANCE		
SCI CAP Philippe*	Property company	100%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited *	Banking institution	100%
Bayeux Limited	Corporate Trustee	100%
Finistere Limited	Corporate Nominee	100%
Finistere Secretaries Limited	Corporate Secretary	100%
ITG Limited	Trust & company admin	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%

At 31 March 2019	Principal activity	Interest held
57. Subsidiaries *(continued)*		
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: Western Suite, Ground Floor, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ, Channel Islands		
HEV (Guernsey) Limited	Investment holding company	100%
Hong Kong		
Registered office: Room 3609-3613, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong		
Investec Capital Asia Limited *	Investment banking	100%
Investec Capital Markets Limited *	Investment banking	100%
India		
Registered office: A 607, The Capital, Bandra Kurla Complex, Mumbai – 400 051, India		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Capital Services (India) Private Limited	Merchant Banking & stock Broking	99.89%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited *	Property company	100%
Investec Holdings (Ireland) Ltd *	Holding company	100%
Investec Ireland Ltd	Financial services	100%
Investec International Ltd	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Ltd	Holding company	100%
Investec Capital & Investments (Ireland) Ltd	Wealth Management & Investment Services	100%
Aurum Nominees Ltd	Nominee company	100%
Investec (Airtricity) Nominees Ireland Ltd	Nominee company	100%
Investec (CapVest) Ireland Ltd	Nominee company	100%
Investec (Development) Nominees Ireland Ltd	Nominee company	100%
Investec (Placings) Ireland Ltd	Nominee company	100%
Investec (Thomas Street) Nominees No 2 Ltd	Nominee company	100%
Investec Broking Nominees Ireland Ltd	Nominee company	100%
Investec Private Finance Ireland Limited	Retail Credit firm	100%
Investec Ventures Ireland Limited (previously Investec Corporate Finance (Ireland) Ltd	Venture capital	100%
Venture Fund Private Principals Limited	Special Partner	100%
Investec Europe Limited	Investment services	100%
Jersey		
Registered office: PO Box 344 One The Esplanade St Helier Jersey JE4 8UW, Channel Islands		
Investec GP (Jersey) Limited	Investment holding company	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Ltd	Securities services	100%
Switzerland		
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG *	Trading company	100%

At 31 March 2019	Principal activity	Interest held
57. Subsidiaries *(continued)*		
Registered office: c/o Dr. Leo Granziol, Bahnhofstrasse 32, 6300 Zug, Switzerland		
Investec Trust Holdings AG	Investment holding company	100%
United States of America		
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
US Multifamily GP LLC*	Investment holding company	100%
Investec USA Holdings Corporation Inc*	Holding company	100%
Investec Inc	Investment holding	100%
Fuel Cell IP 1 LLC	Investment holding	100%
Fuel Cell IP 2 LLC	Investment holding	100%
Investec Securities (US) LLC	Financial Services	100%

Associates and joint ventures holdings

At 31 March 2019	Principal activity	Interest held
United Kingdom		
Registered office: Dee House Lakeside Business Village, St. Davids Park, Ewloe, Deeside, Clwyd, CH5 3XF		
Virtual Lease Services	Lease services provider	49%
Australia		
Registered office: Point Cook Road, Point Cook, Victoria, Australia		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands		
Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg		
Registered office: 15, Rue Bender, L1229 Luxembourg		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
India		
Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India		
JSM Advisers Private Limited	Fund management company	*55%*

58. Investec Bank plc company risk disclosures

Investec Bank plc company follows the group risk policies and appetite disclosure on pages 31 to 40. The market risk in the trading book is the same at the group and company level, the disclosure is made on pages 61 to 64. The following tables present the risk disclosures for the company which are required under IFRS 7. Equivalent Investec Bank plc group disclosures can be found on pages 40 to 50:

An analysis of gross credit and counterparty exposures

£'million	31 March 2019	1 April 2018
Cash and balances at central banks	4 417	3 395
Loans and advances to banks	227	275
Reverse repurchase agreements and cash collateral on securities borrowed	633	750
Sovereign debt securities	726	490
Bank debt securities	52	113
Other debt securities	1 028	809
Derivative financial instruments	536	515
Securities arising from trading activities	530	496
Loans and advances to customers (gross)	7 842	7 316
Other loans and advances (gross)	2 760	2 520
Other securitised assets (gross)	7	7
Other assets	34	41
Total on-balance sheet exposures	**18 792**	**16 729**
Guarantees	83	20
Committed facilities related to loans and advances to customers	1 313	933
Contingent liabilities, letters of credit and other	363	103
Total off-balance sheet exposures	**1 759**	**1 057**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**20 551**	**17 785**

Composition of core loans and advances

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

£'million	31 March 2019	1 April 2018
Loans and advances to customers per the balance sheet	7 724	7 098
ECL held against FVOCI loans reported on the balance sheet within reserves	(1)	–
Net core loans and advances	**7 723**	**7 098**
of which amortised cost and FVOCI ('subject to ECL')	6 998	6 272
of which FVPL	725	826
Add: ECL	119	218
Gross core loans and advances	**7 842**	**7 316**
of which amortised cost and FVOCI ('subject to ECL')	7 117	6 491
of which FVPL	725	826

58. Investec Bank plc company risk disclosures *(continued)*

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

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

£'million	31 March 2019	1 April 2018
Gross core loans and advances subject to ECL	**7 117**	**6 491**
Stage 1	6 420	5 530
Stage 2	447	465
of which past due greater than 30 days	*8*	*13*
Stage 3	250	495
*of which Ongoing (excluding Legacy) Stage 3**	*104*	*178*
Gross core loans and advances subject to ECL (%)		
Stage 1	90.2%	85.2%
Stage 2	6.3%	7.2%
Stage 3	3.5%	7.6%
*of which Ongoing (excluding Legacy) Stage 3**	*1.5%*	*2.7%*

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

£'million	31 March 2019	31 March 2018^
ECL impairment charges on core loans and advances	(23)	–
Average gross core loans and advances subject to ECL	6 804	–
Income statement charge for impairments on core loans and advances	–	(96)
Average gross core loans and advances	–	7 037
Credit loss ratio	**0.34%**	**1.36%**

£'million	31 March 2019	1 April 2018
ECL	**(119)**	**(218)**
Stage 1	(7)	(11)
Stage 2	(21)	(30)
Stage 3	(91)	(177)
*of which Ongoing (excluding Legacy) Stage 3**	*(20)*	*(32)*
ECL coverage ratio (%)		
Stage 1	0.1%	0.2%
Stage 2	4.6%	6.5%
Stage 3	36.4%	35.9%
*of which Ongoing (excluding Legacy) Stage 3**	*19.5%*	*17.9%*

* *Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.*

^ *Comparative information has been presented on an IAS 39 basis. On adoption of IFRS 9 there is a move from an incurred loss model to an expected credit loss methodology.*

58. Investec Bank plc company risk disclosures *(continued)*

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

£'million	31 March 2019	1 April 2018
Stage 3 net of ECL	159	317
*of which Ongoing (excluding Legacy) Stage 3**	*83*	*146*
Aggregate collateral and other credit enhancements on Stage 3	176	348
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.5%	7.6%
*of which Ongoing (excluding Legacy) Stage 3**	*1.5%*	*2.7%*
Total ECL impairments as a % of Stage 3 exposure	47.6%	44.2%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.2%	4.9%
*of which Ongoing (excluding Legacy) Stage 3**	*1.2%*	*2.3%*

* *Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.*

Summary of investments held in the banking book and stress testing analyses

£'million Category	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019	On-balance sheet value of investments 1 April 2018	Valuation change stress test 1 April 2018
Unlisted investments	86	13	139	21
Listed equities	14	3	26	6
Total investment portfolio	**100**	**16**	**165**	**27**
Investment and trading properties	10	2	85	17
Warrants, profit shares and other embedded derivatives	15	5	22	8
Total	**125**	**23**	**272**	**52**

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information at 31 March 2019, as reflected above, we could have a £23 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 group 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 very low, although the probability of listed equities being negatively impacted at the same time is very high.

GLOSSARY

The following abbreviations have been used throughout this report:

AFS	Available for sale
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BoE	Bank of England
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CDO	Collateralised debt obligation
CEO	Chief executive officer
CET1	Common Equity Tier 1
CLO	Collateralised loan obligation
CMD	Capital Markets Day
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
COO	Chief Operating Officer
CPR	Conditional prepayment rate
CRO	Chief risk officer
CVA	Credit value adjustment
DCF	Discounted cash flow
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit losses
ERV	Expected rental value
ESG	Environmental, social and governance
EU	European Union
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FRC	Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross Domestic Product
GFSC	Guernsey Financial Services Commission
GM	Guinness Mahon
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IFRS	International Financial Reporting Standard
ISAs (UK)	International Standards on Auditing (UK)
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LSE	London Stock Exchange
NCI	Non-controlling interests
NSFR	Net Stable Funding Ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter
PACCC	Prudential assurance conduct and controls committee
PD	Probability of default
Policy ERRF	Policy Executive Risk Review Forum
PRA	Prudential Regulation Authority
ROU	Right use of asset
RPI	Retail Price Index
S&P	Standard & Poor's
SPPI	Solely payments of principal and interest
SME	Small and Medium-sized Enterprises
WACC	Weighted average cost of capital

Adjusted earnings

Earnings attributable to shareholders adjusted to remove impairment of goodwill, amortisation of acquired intangibles, non-operating items and earnings attributable to Other Additional Tier 1 security holders

Adjusted operating profit

Operating income less operating costs and depreciation on operating leased assets. This amount is before impairment of goodwill, amortisation of acquired intangibles, and non-operating items, but after other non-controlling interests

Alternative performance measures

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. The definitions and basis for calculation of these measures are provided on this definitions page.

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.

Annuity income

Net interest income plus net annuity fees and commissions

Cash and near cash

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

Core loans and advances

Net loans and advances to customers less ECL held against FVOCI loans reported on the balance sheet within reserves

Refer to calculation on page 48

Cost to income ratio

Operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)

Coverage ratio

ECL divided by gross core loans and advances subject to ECL

Credit loss ratio

Expected credit loss impairment charges (ECL) on gross core loans and advances as a percentage of average gross core loans and advances subject to ECL

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post taxation profit of associates and joint venture holdings

Gearing ratio

Total assets to total equity

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

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets, where risk weighted assets are reflected on page 84

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment and Property businesses

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