ANNUAL REPORT | 2020

Investec plc silo (excluding Investec Limited) annual financial statements

Investec

Cross reference tools

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

ALTERNATIVE PERFORMANCE MEASURES
We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information. These measures are highlighted with the symbol

The definition of alternative performance measures is provided in the alternative performance measures section.

PAGE REFERENCES
Refers readers to information elsewhere in this report

WWW

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

SUSTAINABILITY
Refers readers to further information in our 2020 group sustainability and ESG supplementary report available on our website: www.investec.com

REPORTING STANDARD
Denotes our consideration of a reporting standard

STRATEGIC REPORT

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

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

CONTENTS

1

OPERATIONAL AND STRATEGIC OVERVIEW

1

One Investec

We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values.

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

We are focused on delivering profitable, impactful and sustainable solutions to our clients.

To deliver on One Investec, we will focus on imperative collaboration between the Banking and Wealth & Investment businesses and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

Our long-term strategic focus:

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

Investec Distinction

CLIENT FOCUSED APPROACH

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- High level of service by being nimble, flexible and innovative.

SPECIALISED STRATEGY

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

SUSTAINABLE BUSINESS

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

STRONG CULTURE

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

OUR STRATEGIC OBJECTIVES

In order to deliver on our strategy, we have identified five key strategic objectives outlined below:

THESE WILL ENABLE US TO SIMPLIFY, FOCUS AND GROW THE BUSINESS WITH DISCIPLINE.

Capital discipline	A more disciplined approach to capital allocation, particularly where businesses are non-core to overall long-term growth and capital strategy
Growth initiatives	Focus on growing our client base and building new sources of revenue
Improved cost management	Heightened rigour in identifying efficiencies in all areas of the business
Digitalisation	Enhancing digital capabilities to continue delivering an advanced high-tech, high-touch proposition
Greater Connectivity	Enhancing links among and between the Banking and Wealth & Investment businesses, across geographies

1

We are a domestically relevant, internationally connected banking and wealth & investment group

2 core areas of activity

3 900+ employees

£11.9 billion Core loans

£15.3 billion Customer deposits

£33.5 billion Third party funds under management (FUM)

Corporate / Institutional / Government / Intermediary	Private client (HNW / high income) / charities / trusts
Specialist Banking	**Wealth & Investment**
Lending	Discretionary wealth management
Transactional banking	Investment advisory services
Treasury solutions	Financial planning
Advisory	
Investment activities	
Deposit raising activities	

We have market-leading distinctive client franchises

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

We are a people business backed by our out of the ordinary culture, and entrepreneurial spirit

Operating structure

Investec plc which houses our non-Southern African businesses, has been listed on the London Stock Exchange since 2002.

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).

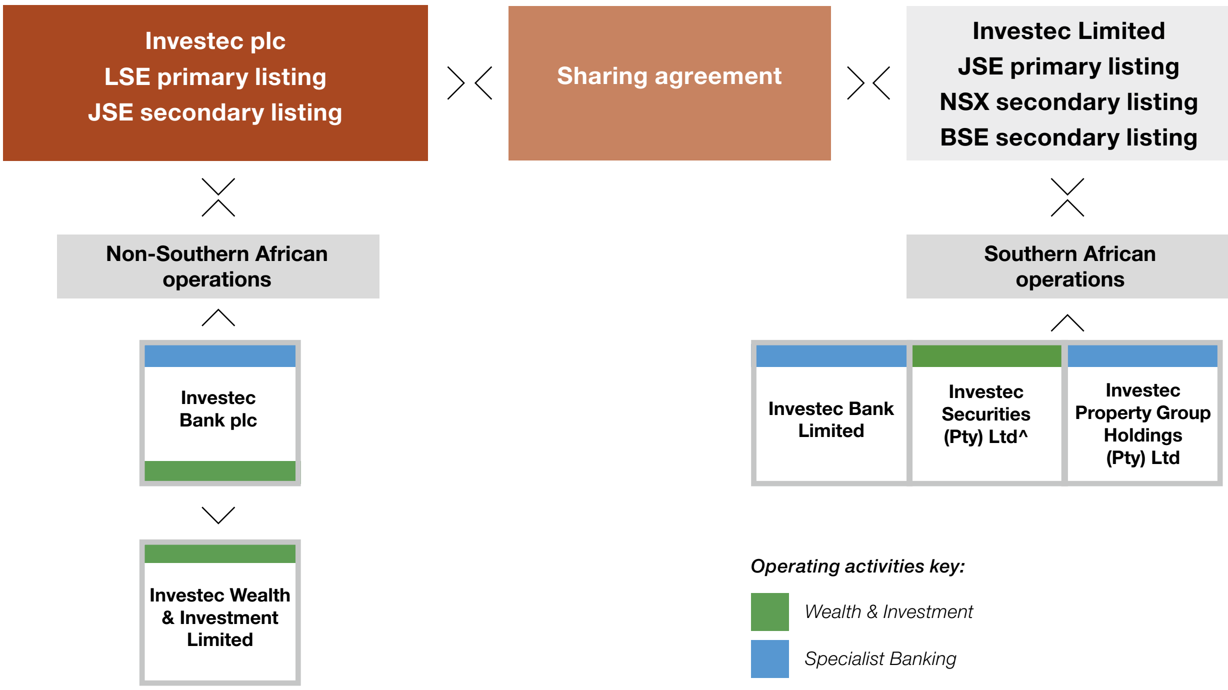
In March 2020, the Asset Management business was demerged and separately listed as Ninety One plc on the LSE and Ninety One Limited on the JSE.

All references in this report to the group relate to Investec plc, whereas references to Investec, 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.***

www ***Further information on the demerger can be found on our website.***

The DLC structure and main operating subsidiaries at 31 March 2020



^ *Houses the Wealth & Investment business.*

All shareholdings in the ordinary share capital of the subsidiaries shown are 100%.

In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One group, with 16% held through Investec plc and 9% held through Investec Limited.

Salient features of the DLC structure

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

SUMMARY OF THE DEMERGER OF INVESTEC ASSET MANAGEMENT

Following the Investec group's management succession announcement in February 2018, the Investec board, together with the executive team, conducted a comprehensive strategic review to ensure that the **Investec group is well positioned to serve the long-term interests of its stakeholders.**

Conclusions from the strategic review

- Investec group comprises a number of successful businesses operating across two core geographies, with different capital requirements and growth trajectories
- Compelling current and potential linkages between the Specialist Banking and Wealth & Investment businesses (clear geographic and client overlap)
- Limited synergies between these businesses and Investec Asset Management.

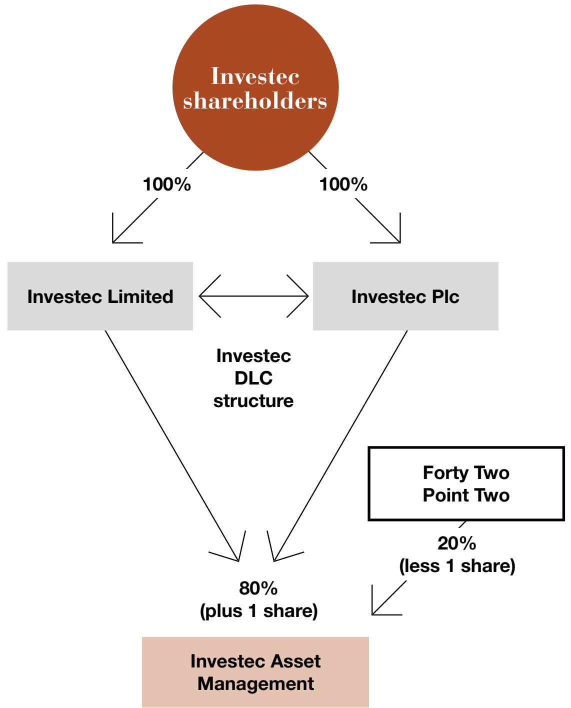
The board concluded that a demerger and separate listing of Investec Asset Management would **simplify the Investec group** and allow both businesses to **focus on their respective growth trajectories;** resulting in **improved resource allocation, better operational performance and higher long-term growth.**

On 13 March 2020, the Investec group **successfully completed the demerger of its asset management business (Investec Asset Management),** which became separately listed as Ninety One on 16 March 2020.

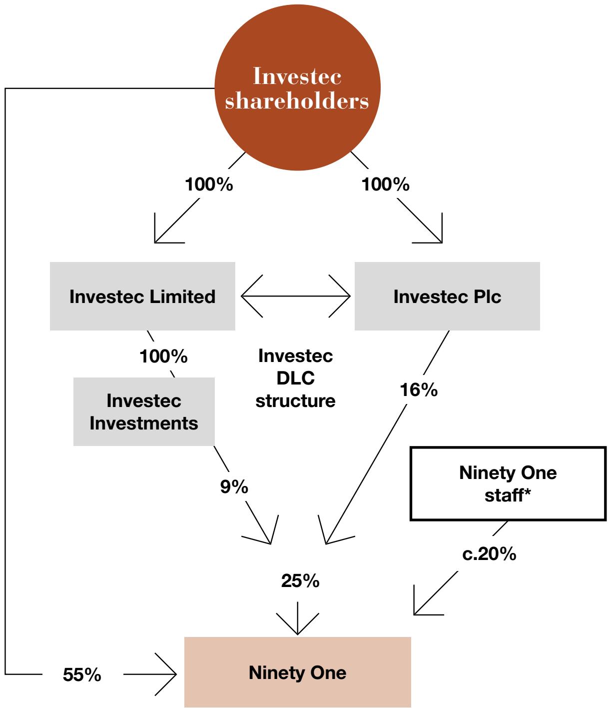
The effect of the demerger is to unbundle the asset management business from the Investec group and have two separately listed entities.

- Prior to the demerger, the Investec group had an 80% shareholding in Investec Asset Management
- Pursuant to the demerger transaction, Investec group distributed 55% of Ninety One to existing Investec shareholders. **Shareholders received one Ninety One share for every two Investec shares held**
- Investec group decided not to proceed with its intended sell down of a 10% stake in Ninety One given market volatility at the time of Ninety One's listing
- Therefore, Investec group **retained a 25% shareholding in Ninety One**. As a founding shareholder of Ninety One, the Boards of both Investec and Ninety One believe that it is appropriate for Investec to retain a modest shareholding in Ninety One. Investec believes Ninety One is an attractive business with meaningful intrinsic value. Retaining an equity stake allows Investec to participate in future value creation by Ninety One
- Investec's entire holding of Ninety One shares is subject to a lock up period of 180 days from the date of Ninety One's listing
- Approximately 20% of Ninety One continues to be held by Ninety One staff through Forty Two Point Two (the investment vehicle through which management and directors of Ninety One participate in the business), as well as Ninety One's employee benefit trusts.

PRE DEMERGER STRUCTURE:



POST DEMERGER STRUCTURE:



* *Consisting of Forty Two Point Two and Ninety One's employee benefit trusts.*

Summary of financial impact

- Positive common equity tier 1 (CET1) impact: Investec plc CET1 uplift of 0.59% and Investec Limited CET1 uplift of 0.40%
- Combined dividend capacity of Investec group and Ninety One is unchanged as a result of the demerger
- The transaction resulted in a net gain for Investec group of £806.4 million post taxation and transaction costs (of which £550.5 million gain is attributable to Investec plc)
- Investec group accounting treatment: In FY2020, the results of the Ninety One group have been consolidated up to the effective date of the demerger (13 March 2020) and presented as discontinued operations. Thereafter, the retained 25% stake in the Ninety One group has been accounted for as an investment in associate and equity accounted within the earnings from continuing operations.
- Investec plc accounting treatment: In FY2020, the results of Ninety One plc have been consolidated up to the effective date of the demerger (13 March 2020) and presented as discontinued operations. Thereafter, the retained 16% stake in the Ninety One group has been accounted for as an investment held at fair value through other comprehensive income (OCI) from continuing operations.

Further financial information on discontinued operations is provided on pages 241 and 242.

Demerger transaction documents

The **Demerger Circular** as well as all published documents and announcements related to the demerger can be found on the Investec group's website.

Demerger timeline of events:

- Announcement of demerger: 14 September 2018
- Publication of Shareholder Circular: 29 November 2019
- Publication of Ninety One Registration Document: 31 January 2020
- General and Court Meetings: 10 February 2020 (resolutions passed with a 98% majority)
- Publication of Ninety One Prospectus: 2 March 2020
- Effective date of the demerger: 13 March 2020
- Admission of Ninety One Shares to LSE and JSE: 16 March 2020.

Investec 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 markets

What makes us distinct?

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

Focus on helping our clients create and preserve wealth	A highly valued partner and advisor 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 – Private Capital – Transactional banking – Savings – Foreign exchange	– Lending – Treasury and risk management 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**
Our high-tech and high-touch private client offering provides transactional banking, lending, savings and foreign exchange tailored to suit our clients' needs. Our target market includes high net worth (HNW) 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

A leading private client investment manager in the UK

We provide wealth management services for a wide range of clients on a bespoke basis, seeking optimal returns on their capital at all times

With 15 offices across the UK, together with offices in the Channel Islands and Switzerland, combined we employ over 1,400 people with funds under management of £33.1 billion.

What makes us distinct?

We demonstrate a deeper insight and a more empathetic approach to the range of financial considerations our clients need to make, when managing their wealth.

Our client groups

- Private clients – domestic and international
- Clients of professional advisors
- Charities
- Trusts.

Distribution channels

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

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

Our service offering

Investments and savings

- Discretionary portfolio management services for private clients
- Specialist investment management services for charities and trusts
- Specialist portfolio management services for international clients

Financial planning

- Bespoke independent financial reviews
- Retirement planning
- Succession planning

Pensions

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

OUR OPERATIONAL FOOTPRINT

1

Where we operate

USA

Established a presence in 1998

US Power and Infrastructure Finance, Fund Solutions and Securities

UK and Europe

Established a presence in 1992

Brand well-established

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Sustainable diversified banking business focused on solutions for corporate, institutional and private clients

India

Established a presence in 2010

Institutional equities business providing research, sales and trading activities

Merchant banking business connecting Indian companies with domestic and international investors

Hong Kong

Established a presence in 1997

Private equity fund solutions

Australia

Established a presence in 1997

Lending, treasury solutions, capital and advisory to target market clients, also manages third party funds in Property

Our client franchises showed resilience

Adjusted operating profit* decreased 43.9%

£129.4 million

(2019^: £230.7 million)

Operating costs decreased 10.0%

£740.8 million

(2019^: £823.4 million)

^ *Restated as detailed on page 273.*

- The financial year was characterised by weak economic fundamentals, including Brexit related uncertainties and geo-political tensions. This was exacerbated by the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year, impacting our trading income, investment income (through fair value adjustments) and expected credit loss (ECL) charges.
- Against this challenging backdrop, the Specialist Banking business delivered loan book and deposit growth, and Wealth & Investment reported net inflows; underpinning client-driven revenues.
- In the Specialist Banking business, the Corporate and Investment Banking and Specialist International Lending franchises saw reasonable levels of origination and sell-down activity with good fee generation. The Private Banking business had good traction in target client acquisition, retail funding and mortgage book growth (up 36% since 31 March 2019). Earnings were impacted by lower equity capital markets fees due to persistent market uncertainty throughout the year under review as well as the impact of the COVID-19 pandemic.
- The Wealth & Investment business' positive net organic growth in funds under management underpinned steady operating income. This was despite challenging industry trading conditions where clients remained cautious, resulting in lower growth rates in net new funds across the industry. Overall fee income was impacted by the sale of the Irish Wealth business in October 2019.
- Operating costs reduced year on year, reflecting a strong focus on cost discipline and normalised premises charges. In addition, variable remuneration was reduced as a consequence of a weaker performance, including the impact on performance from the COVID-19 pandemic.
- Overall, Investec plc reported an adjusted operating profit* of £129.4 million for the year ended 31 March 2020 (2019^: £230.7 million).
- The overall financial impact of COVID-19 on adjusted operating profit* was £55 million.
- As a result of the foregoing factors, profit after taxation from continuing operations decreased to £24.0 million (2019^: £120.8 million), impacted by the costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses (as detailed on page 273).

Financial performance

Adjusted operating profit◆ decreased 43.9%	**2020** **£129.4mn** 2019^ £230.7mn
Annuity income◆ as a % of total operating income	**2020** **71.5%** 2019^ 61.5%
Cost to income ratio◆	**2020** **78.3%** 2019^ 76.3%
Credit loss ratio◆	**2020** **0.69%** 2019 0.38%

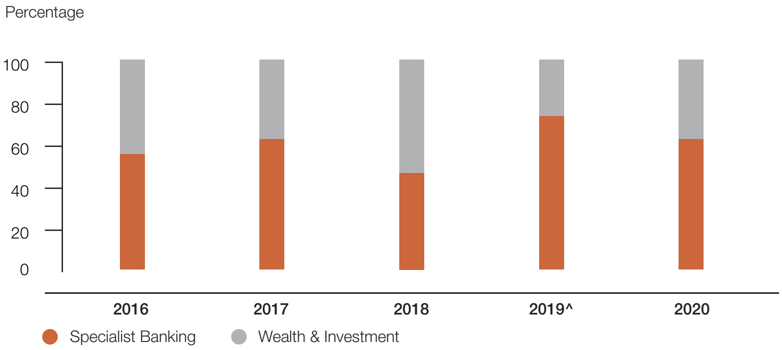
^ *Restated as detailed on page 273.*

Prior financial years include funds under management in respect of the Irish Wealth & Investment business, which was sold during the year (£2.4 billion funds under management at 31 March 2019).

* *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer accounts (deposits) in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year balance of £825 million has not been restated. The increase in customer deposits during the year of 16.2% would have been 10.0% excluding this reclassification.*

Diversified business model

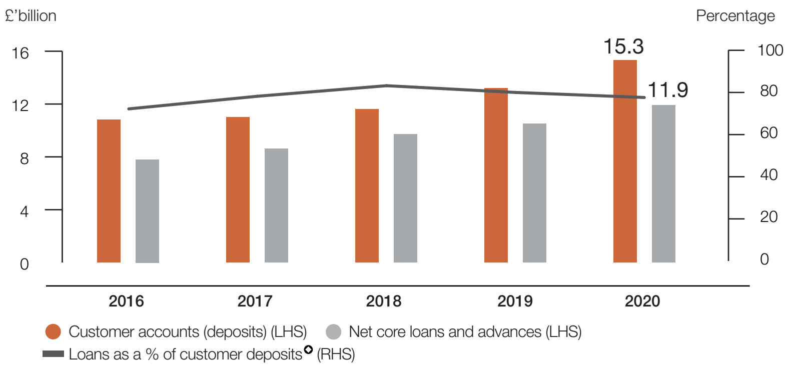
% contribution of adjusted operating profit° (excluding group costs)



Continued growth of our key earnings drivers

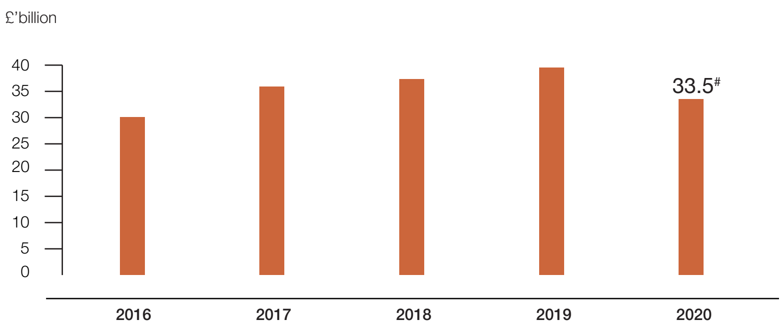
Customer accounts (deposits) increased 16.2% to £15.3 billion*
Core loans and advances increased 12.9% to £11.9 billion

Customer accounts (deposits) and loans



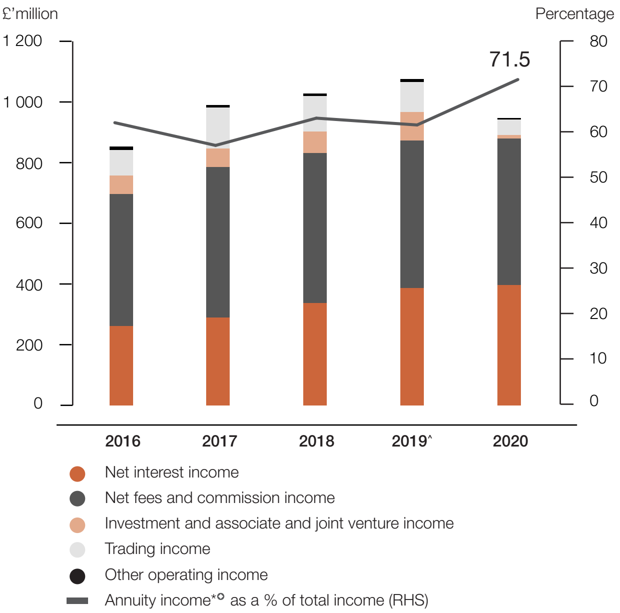
Funds under management decreased 15.2% to £33.5 billion, impacted by market volatility in March 2020

Funds under management#



Revenue and credit losses impacted in current year by tough economic backdrop exacerbated by COVID-19

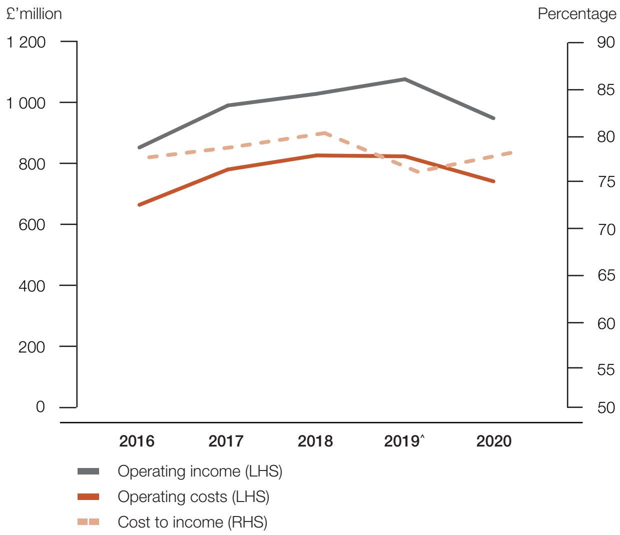
Total operating income



* Where annuity income is net interest income and annuity fees.
^ Restated as detailed on page 273.

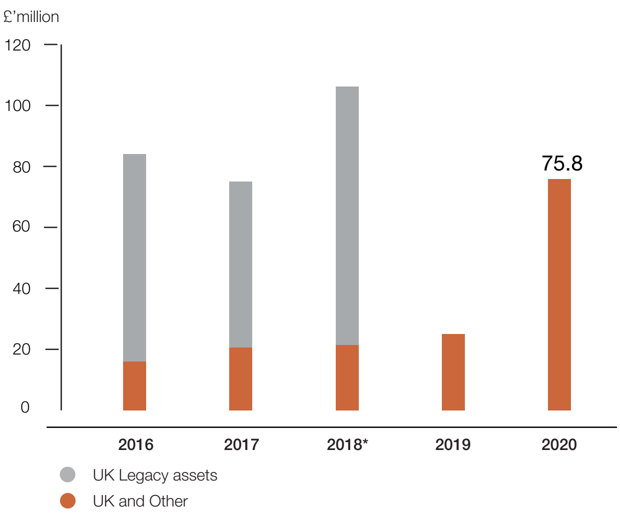
Growth in net interest income and lending fees was offset by lower equity capital markets fees, investment income and trading income

Jaws ratio°

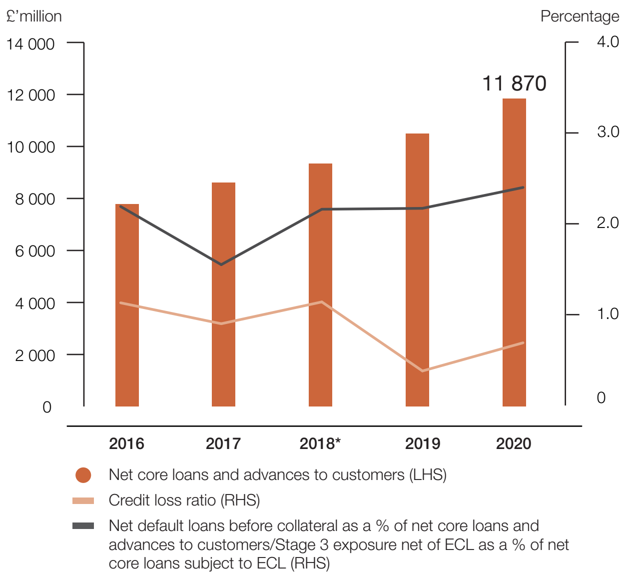


Progress was made in reducing operating costs in line with our strategic priority. The cost to income ratio was impacted by lower operating income

Expected credit loss (ECL) impairment charges



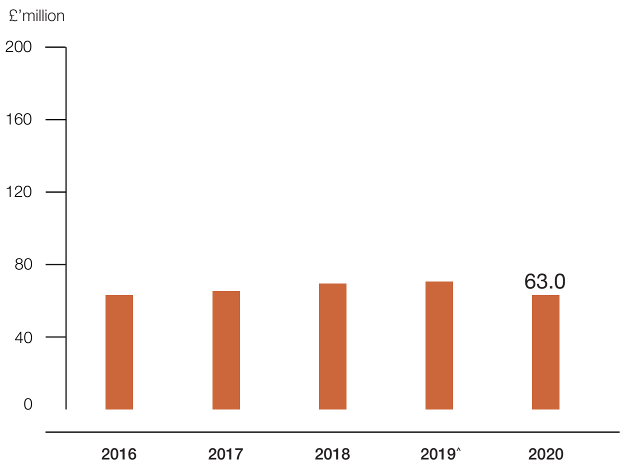
Default and core loans



* On adoption of IFRS 9 there was a move from an incurred loss model to an expected loss methodology. Expected credit loss impairment charges for the 2019 and 2020 financial years have been calculated on an IFRS 9 basis, and prior years have been calculated on an IAS 39 incurred loss basis.

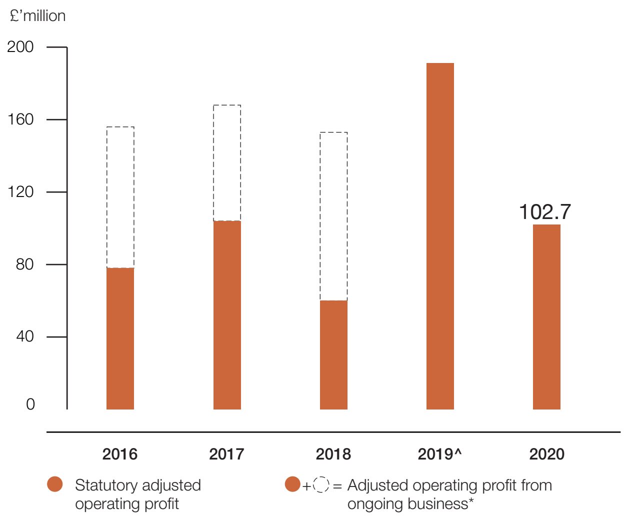
Adjusted operating profit° from our businesses

Adjusted operating profit° – Wealth & Investment



^ *Restated as detailed on page 273.*

Adjusted operating profit° – Specialist Banking



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

Maintained a sound balance sheet

The intimate involvement of executive management ensures stringent management of risk, capital and liquidity as set out below.

Capital management

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

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

We are comfortable with our common equity tier 1 ratio target at 10.0% given our solid capital light revenues, and with our current leverage ratio at 7.8%.

Capital ratios

	31 March 2020	31 March 2019
Total capital ratio – as reported*	14.9%	15.4%
Tier 1 ratio – as reported*	12.4%	12.2%
Common equity tier 1 ratio – as reported*	10.7%	10.4%
Common equity tier 1 ratio - 'fully loaded'	10.3%	9.9%
Leverage ratio – current	7.8%	7.7%
Leverage ratio – 'fully loaded'	7.4%	7.3%
Leverage ratio – current UK leverage ratio framework**	8.9%	9.6%

* *The reported CET1, tier 1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements..*

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

Note: Refer to pages 107 and 113 for further details.

A well-established liquidity management philosophy remains in place

Continued to focus on:

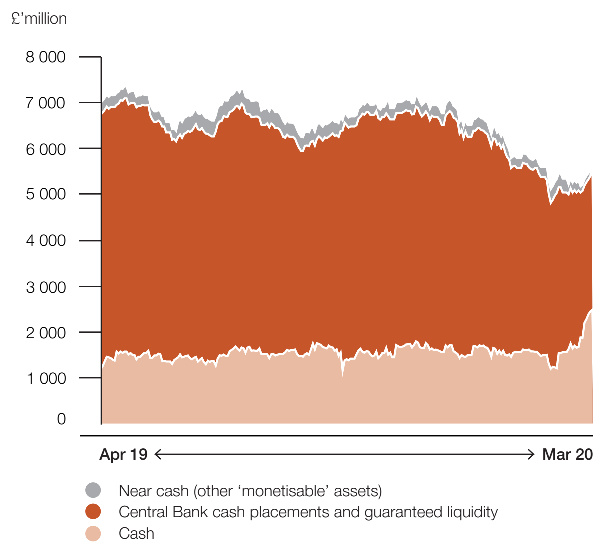
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio° of 25%, with the year-end ratio° at 39.5%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- Maintaining low reliance on wholesale funding
- Continuing to benefit from a growing retail deposit franchise and recorded an increase in customer deposits.

Liquidity remains strong with cash and near cash balances amounting to £6.0 billion (2019: £7.0 billion). The higher balance at the start of the year reflects additional liquidity raised to prefund the repayment of Irish deposits, ahead of the closure of our Irish deposit raising business as a result of Brexit.

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

The bank's loan to deposit ratio° was: 77.7% (2019: 80.0%).

Investec plc cash and near cash trend



Specialist Banking

Ruth Leas

Business leader

Q How did the operating environment impact your business over the past financial year?

Brexit, heightened UK political uncertainty, and geopolitical tensions sparked by US trade wars adversely impacted activity levels in the UK over the past year, making the UK operating environment very challenging. Against this backdrop, the UK Specialist Bank delivered a good performance from our core client franchise businesses; our private banking activities, corporate and investment banking lending activities as well as our international specialist sector client franchises. The COVID-19 global pandemic combined with an oil price shock struck global markets with material impacts during late February and March of our financial year. The sudden imposition of lockdown in the UK as well as many countries across the world, together with the unprecedented speed and magnitude of market movements following the COVID-19 outbreak, heavily impacted full year performance of the UK Specialist Bank.

Prior to the COVID-19 and oil price shock, the UK Specialist Bank was on track to deliver a performance similar to that of the first half of the financial year. Costs were managed very tightly and significantly reduced over the financial year while the business focused on growing scale in our client franchises, with a firm strategic focus on meeting the bank's medium-term targets. Loan book growth was strong at 13% comprising well diversified growth across the corporate loan book as well as significant targeted growth in our High Net Worth mortgage book.

As in the first half of the financial year, business confidence in the UK continued to be materially impacted by Brexit and political uncertainty, and even post the December 2019 UK election, there was still limited appetite for equity capital market activities which resulted in significantly lower fees and commissions from this business, continuing the trend we had seen in the first half of the financial year. The Corporate and Investment Banking lending franchises and International Specialist franchises delivered strong fees and loan growth, demonstrating Investec's well established client franchises and relationships developed over many years in these areas. We continued to apply strong credit discipline while selectively growing the loan book. Our Corporate Banking business saw reasonable activity across all business areas, including corporate hedging and risk management solutions which benefited from the volatility in exchange rates during the year.

The Private Banking business delivered a strong operating performance evidenced by robust loan book growth and client acquisition ahead of budget. Productivity remained high with the Private Banking business able to increase scale whilst simultaneously managing costs.

The sharp economic shock from the COVID-19 pandemic and oil price plunge towards the end of the financial year, where we experienced the fastest market setback on record, significantly impacted full year results.

The impact is a combination of increased COVID-19 related specific and general credit impairment provisions, negative fair value adjustments across various exposures and certain investments, as well as losses arising from the hedging of structured products due to the extraordinary market dislocation. We have actively taken steps to reduce variable costs to reflect the impact of this exceptional change in environment on our business.

The pandemic has had a substantial impact on people, economies and markets across the globe and the full impact remains to be seen and understood. We entered this period of extreme uncertainty and very low interest rates with strong financial and operational resilience and continue to maintain elevated levels of liquidity and a strong capital position, while being lowly geared (maintaining a high leverage ratio). We successfully and rapidly transitioned our operations to working from home and our focus has been on supporting our people, our clients and our communities through the unexpected uncertainty and disruption. We have put in place a number of client support measures over this time, staying close to our clients as they adjust to rapidly changing circumstances. We remain focused on balancing our commitment to support clients whilst carefully managing portfolio risks and remaining alert to potential opportunities as and when they arise.

Q What progress was made in the past financial year in respect of the group's key strategic objectives?

Capital discipline

The Corporate and Investment Banking business remained focused on disciplined capital allocation and delivering appropriate returns on capital at a client level. Our institutional sales syndication strategy remains a key part of optimising our capital and balance sheet, enabling us to reduce capital commitment and to enhance returns via syndication fees, as well as creating a capital-light fee stream.

We have reduced our investment portfolio exposure substantially (excluding our investment in Ninety One plc), in line with our objective of reducing income volatility, optimising capital allocation, and redirecting capital to our core client franchises.

During the year we implemented a branch structure in Australia that has driven some capital, cost and funding efficiencies.

We continue to meet the group's capital and leverage ratio targets. In addition, as part of the Prudential Regulation Authority's (PRA) most recent Internal Capital Adequacy Assessment Process (ICAAP), the Investec plc Pillar 2A capital requirement was reduced from 1.51% to 1.12%. This, together with the reduction in the UK Countercyclical Capital Buffer (CCyB) (which was reduced by the Financial Policy Committee (FPC) in light of the current economic environment), has resulted in a lower CET1 regulatory minimum for Investec plc, substantially increasing our regulatory capital surplus.

Growth initiatives

We continued to gain good traction in Private Banking in growing our loan book, retail funding and client base in line with targets. Our mortgage book grew 36% since 31 March 2019 and we are ahead of our targets in respect of client acquisition in our banking proposition, having on-boarded approximately 1 100 new high net worth (HNW) clients over the period (to c.5 000 clients at 31 March 2020) moving us closer to our target of at least 6 500 HNW clients by March 2022. We have also successfully grown our client base in our Private Capital business.

Our Corporate and Investment Banking business implemented a number of growth initiatives over the past year in pursuit of our strategic objectives:

- Created a single relationship management coverage team across Corporate Banking, which has considerably improved our ability to engage with and deliver our full 'One Investec' offering to existing and target clients
- Continued to invest in our Corporate Banking franchise to enhance our offering to corporates and larger SMEs, following the £15 million award in July 2019 from the Banking Competition Remedies Limited (BCR) Capability and Innovation Fund
- Grew our corporate lending book by 7.6% since 31 March 2019
- Acquired a market-leading specialist closed-end fund team to complement our advisory business, and delivered a top ranking in the Investment Companies small-to-mid cap space
- The Power and Infrastructure Finance teams focused on expanding into new sectors and adding additional products where we can leverage our existing expertise and clients and connect to new clients
- Expanded our Fund Solutions (formerly named Fund Finance) business to include offerings which will boost overall returns without tying up excessive capital.

Cost management

There has been an ongoing strategic review of our cost infrastructure with a view to effecting cost efficiencies.

There was a substantial reduction in costs year on year, driven by no repeat of double premises charges as well as a strong focus on cost discipline, particularly in light of tougher market conditions. We have contained costs by focusing on productivity and automation across the businesses without impacting on activity levels. We are focused on building smart systems to support growth and we have delivered significant improvements in a number of areas such as client lifecycle optimisation over the past year.

In addition to the substantial reduction in the overall fixed cost base, we have also significantly reduced variable remuneration to adjust for the impact on our business from the severely disrupted economic and market conditions surrounding the COVID-19 pandemic.

Connectivity

The Private Banking and Wealth & Investment businesses have identified areas of overlap both in clients and cost synergies. Collaboration has been enhanced through the implementation of an integrated Client Relationship Management (CRM) system as well as a dedicated team focusing on collaboration. Specific client segments have been identified as key common areas and as such prioritised, each requiring a different strategy and each providing an opportunity to increase connectivity and reduce costs over time.

We now have a fully embedded client-centric operating model, joining up our existing franchises to deliver a 'One Investec' offering. For example, the creation of Corporate Banking and Private Banking sales teams. This is helping to increase the level of referrals to the Wealth & investment business.

We have also created a Funds client group, encompassing the Fund Solutions lending business, Fund Solutions Hedging team and the Private Banking team focused on offering mortgages, bank accounts and other products to the funds community to enhance our ability to serve this important client group.

There are also ongoing efforts across the private banking ecosystem to continue offering South African clients a unique international proposition.

Digitalisation

We continue to invest in the modernisation of our businesses leveraging new technologies to enable flexibility, improve efficiencies and accelerate the launch of innovative products and services.

From a client perspective, during the year we launched Investec IX, our corporate digital platform. This included the launch of an online Business Savings account which enables seamless account opening and the ability to self-service reinvestment of our fixed term product online. The launch of these platforms has greatly enhanced our corporate retail deposits capability.

We made good progress in modernising our internal technology. The build out of our open banking platform as a channel has enabled seamless integration with Fintechs, other banks and investment managers. Clients of Monzo, Flagstone, MoneyBox and others are now benefiting from our high quality cash savings suite through this new channel. This new collaborative method of distributing our retail deposit-taking capability is allowing Investec to access new clients and introduce the Investec brand to additional markets.

We are making targeted investments into our Artificial Intelligence (AI) capability, and ensuring we are using analytics and data capabilities to deliver differentiated and personalised solutions. Security and the protection of our clients' data remains a top priority. Progress made in this regard includes enhancements of security features on Investec's online and mobile app, such as multi-factor authentication, face bio-metrics, and 3D secure payments technology.

We have delivered efficiencies and cost savings through a simplification of our operating model, leveraging shared platforms and capabilities across our infrastructure globally. This includes embedding new robotic process automation technologies (RPA) to optimise some of our core operations, reducing operational risk and containing costs.

For our colleagues, our digital workplace initiatives allowed our people to increase connectivity and productivity with new communication and collaboration tools, leading to new ways of agile working and innovation. The focus on our digital workplace strategy enabled us to rapidly respond to the COVID-19 crisis, allowing us to transition to remote working whilst still being able to meet our operational needs and best serve our clients.

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

The integration of environmental and social considerations into daily business operations and strategy is continually evolving. Climate-related shareholder resolutions are increasing across the banking sector, which together with the increased focus from the PRA in the UK, has brought climate issues to the fore of many stakeholder discussions.

Recognising our responsibility to help finance a cleaner world, we were the eighth bank in the UK to publicly announce our support for the Task Force on Climate-related Financial Disclosures (TCFD). In the past year, we have evaluated our balance sheet to better understand the physical and transitional climate risks we may have in our portfolios and enhanced our disclosures in our 2020 group sustainability and ESG supplementary report. We look forward to the proposals due to be released by the UK Financial Conduct Authority (FCA) with further clarity on climate scenarios.

In line with our international peers, we have published a fossil fuel policy affirming our commitment to working with our clients and stakeholders to reduce and limit our exposures to fossil fuels and continue our deliberate focus on promoting renewable and clean energy solutions. For example, our power and infrastructure business plays a leading role in financing clean energy and our asset finance business has launched a sustainable energy finance arm to fund renewable energy assets.

We continue to advocate responsible behaviour to manage our own operational footprint by avoiding, minimising and limiting our emissions. We attained net-zero carbon emissions status in February 2020, committing to ongoing carbon neutrality. We won our 16th Platinum Award in the City of London's Clean City Award Scheme for best practice in waste management.

Q *What were the key challenges in your business over the past year?*

The key challenges were presented predominantly by markets; with market uncertainty impacting deal volumes, equity capital market fees, valuations and trading revenue. In addition, the impact of COVID-19 has been very challenging given the extremely fast and sharp movements in markets witnessed towards the end of our financial year. At this stage, it is unclear how long these effects will continue for.

The pandemic and related social containment measures posed challenges across our supply-chain, clients and our staff, all of whom have had to adapt to a new way of operating in a short space of time. Keeping our people focused and positive has been crucial.

The real economy impacts of COVID-19 and the oil price shock remain to be seen and understood, meaning uncertainty remains a challenge.

Q *What are your strategic objectives in the coming financial year?*

At the time of writing, the UK and other economies are experiencing a sharp contraction in growth together with sharply increasing levels of unemployment. The highly uncertain outlook ahead and very low interest rate environment, is further exacerbated by the elevated geopolitical tension between the US and China, particularly ahead of the US presidential election in November. The ability to execute and deliver on all our strategic objectives will be challenging during 2020. Nevertheless, we remain committed to our strategy which is to focus on building scale in our core client franchises, which have delivered good performance even under difficult conditions, and to reduce activities causing income volatility. We are also keenly focused on simplifying our operating model and effecting cost efficiencies following an ongoing strategic review of our cost infrastructure.

The Private Banking business continues to focus on four key objectives namely; growing clients, growing lending to these clients, driving down the cost-of-funds in our retail savings channel and improving productivity through scale and reducing costs. In the coming year, supporting our existing clients, preserving our loan book, as well as actively looking to further reduce our cost-base will be key.

An overarching key ambition is to improve connectivity between the Specialist Bank and Wealth & Investment by developing a clear client approach to enhance the client's 'One Investec' experience and drive bottom line growth.

Our Corporate and Investment Banking business remains focused on its key strategies:

- Continuing to develop a Corporate Banking business that offers small to mid-sized companies the breadth of products and level of service that reflects their importance to the UK economy. We have a clear investment programme to achieve an enhancement of our offering, supported in part by the £15 million funding from the BCR Capability and Innovation Fund. We remain on track to deliver this plan, which includes enhancements to existing business areas (motor finance, asset finance, foreign exchange), diversification in income (renewables finance and wider strategic opportunities) and significant development of our digital capability
- Converting our unique Investment Banking proposition, a full-service UK Investment Bank with international reach and a client-partnership model, into pre-eminence in the mid-market. This includes meaningfully increasing our corporate client base and growing our business sustainably in the listed space, and making Investec the "first call" for those operating in the Private Equity mid-market
- Strengthening the reputation of our International Specialist Franchises by being at the cutting edge of constantly changing industries.

We will also continue to drive our high-tech, high touch offering by building smart digital systems to support growth.

We embrace the role that the financial sector must play in achieving the United Nations Sustainable Development Goals (SDGs). We have established a working group tasked with identifying commercial opportunities to enhance socio-economic and environmental impacts and to incorporate sustainability into our specialist banking franchise.

Our export and agency finance team play a leading role in the fast-developing impact and SDG finance market. They were a founder member and deputy chair of the International Chamber of Commerce (ICC) Export Finance Sustainability Working Group of banks to engage with stakeholders on the role of sustainability in export finance. The team is also working with a new Impact Debt Fund, Acre Capital, which is grant supported by The Rockefeller Foundation. This US$300 million initial fund is due to launch in the second quarter of 2020 and is focused on co-financing projects which meet SDG objectives alongside export credit agencies.

Our 2020 group sustainability and ESG supplementary report provides further detail on the many initiatives we support and fund as part of our commitment to the SDGs.

At Investec we know that diversity of thought is critical to increasing our ability to innovate, adapt and perform, and therefore we are focused on attracting, developing and retaining a diverse and representative workforce. We believe that more diverse groups will give rise to a more inclusive environment where we value the differences in who we all are, encourage challenge and welcome the unique perspective that each individual brings. At Investec our vision for Belonging, Inclusion and Diversity (BID) is for everyone to find it easy to be themselves, and to feel they belong. Our commitment to BID builds on our diversity principles, which include specific strategic objectives to increase our female representation in general and in senior leadership in particular.

Q *What is your outlook for the coming financial year?*

In light of significant dislocation in the external market due to the COVID-19 pandemic it is unclear how the economy and our clients will adjust over the coming months and years, and we therefore cannot provide specific forward looking guidance at this stage. We are focused on taking care of our employees, ensuring business continuity and support for our clients, and backing our CSI partners and helping the communities around us particularly regarding food security. We have responded quickly to the operational and client impacts resulting from COVID-19 and our intention is to leverage this wherever possible to improve our business for the long term. At the moment we are working through a range of different scenarios to position ourselves to both manage the risks and take advantage of opportunities. Given the uncertainty around the evolving economic downturn, and the very low interest rate environment, the year ahead will be challenging. We entered this crisis with experience from the Global Financial Crisis to navigate through challenging circumstances, as well as considerable strength with respect to our high levels of liquidity, strong capital and low level of gearing (maintaining a high leverage ratio).

We have clear strategic focus areas, well established client franchises which have been developed over many years, and we continue to see scope to develop opportunities with both existing and new clients.

Wealth & Investment

Jonathan Wragg *Ciaran Whelan*

Business leaders

Q *How did the operating environment impact your business over the past financial year?*

The events of the last quarter and the sudden market contraction in March, as a result of growing concerns regarding COVID-19, continue to dominate the current operating environment and did somewhat impact business performance in the last part of the year.

In the UK, prior to the onset of COVID-19, equity indices had already exhibited a degree of volatility during the period. Most of the year was characterised by uncertainty over the outcome of Brexit discussions and the heightened level of geo-political risks. Given this backdrop, UK private clients and intermediaries exercised caution, resulting in lower rates of growth in net new funds across the industry.

Following the conclusive election result in the UK in December, markets rose in anticipation of a future trade agreement and with greater confidence in the outcome. This resulted in a short-term increase in private client activity prior to the onset of COVID-19. It is notable that our business continued to achieve positive net organic growth in funds under management in the UK for the financial year.

We have long-standing relationships with the majority of our clients who have been with us through previous periods of extreme market volatility and who have shown considerable trust, resilience and understanding, with net inflows being experienced in the month of March. Our key focus has been on providing the advice and expertise which they expect and deserve, especially at times like these.

Q *What progress was made in the past financial year in respect of the group's key strategic objectives?*

Over the past year, we focused on the group's key strategic commitments to ensure progress and delivery of our 2022 targets, while continuing to focus on maintaining and building the resilience of the business.

Capital allocation

We retained our disciplined approach to capital allocation – the decision to close the UK Click & Invest digital service in May 2019 demonstrated our commitment to this objective. In addition, and in light of changes to Investec's Irish business model brought about by Brexit planning, we sold our Irish wealth management business during the period.

With the onset of COVID-19, we reinforced this focus on capital stewardship. We have always maintained a high degree of liquidity and balance sheet strength, which stand us in good stead for the current, and any future, stress.

Growth initiatives

During the year, we established a new strategic transformation team to drive growth and implement our initiatives at speed. A key priority was the development of a new service offering to address future wealth planning needs of both existing and new clients. A pilot launch will commence in May 2020.

At a regional level, we have continued the strategy of hiring individuals to support growth and we have established a new office in Bristol, a strategic location in the South West, migrating the existing office in Bath.

Within our intermediaries division, a key source of growth, we took the decision to expand our offering and are launching a new Managed Portfolio Service for Independent Financial Advisers (IFAs), available on leading platforms, to complement our successful and award winning Discretionary Fund Management (DFM) service.

Cost management

We faced upward cost pressures in the industry and specifically an unanticipated significant increase in the Financial Services Compensation Scheme (FSCS) levy, of almost double the prior year. In light of this and the current operating environment, management has had to strike a balance between effective cost management and the need to invest in the business for the future.

The latter included the recruitment of additional client facing staff in pursuit of long-term growth and expansion of our advice capability. In addition, planned increases in technology headcount peaked in the first half of the year to support specific regulatory and business driven projects, however, this has since been managed down, with this trend expected to continue into the next financial year.

On a company wide basis, in the second half of the year we launched a targeted programme to realise savings across a number of business areas.

Connectivity

Connectivity between the Specialist Banking and Wealth & Investment businesses remains a key focus and we identified specific client segments as priority for collaboration.

We have strengthened our international wealth proposition which will be led out of the UK, but will draw together all the relevant services of Investec across the Specialist Banking and Wealth & Investment businesses internationally.

Between the UK and South African businesses, our Global Investment Strategy integrates our investment process across the regions, thus leveraging our expertise in South Africa and the UK. In addition, during the course of the year we strengthened our ESG research process, in line with a greater consciousness for ethical, sustainable and sound governance-based investments.

Digitalisation

We have accelerated our investment in our critical technology and digital programmes.

In September, we launched a new platform to streamline and enhance client documentation and investment proposals. A further development was to reduce the amount of paperwork for clients, with an increased number of clients subscribing to our online services. We also completed the migration to the new Investec online portal and the roll out of our upgraded electronic filing systems.

As a result of COVID-19, the vast majority of our staff have been working from home and keeping in regular contact with clients remotely. Our systems have proven robust and the transition to remote working has been relatively seamless.

Q *What were the key challenges in your business over the past year?*

In the first part of the year we navigated a challenging operating environment; managing the uncertainty caused by Brexit and the US/China trade tensions. Clients were naturally unsettled during that period and our priority was to ensure that they were well serviced and well prepared.

Clearly the most significant challenge has come at the end of the financial year and has been the impact on clients, staff and other stakeholders from COVID-19. We are extremely proud of the way that our people have risen to this challenge and the flexibility shown in finding ways to engage clients and to meet their responsibilities.

Q *What are your strategic objectives in the coming financial year?*

Our purpose is to help relieve clients from the burden (and potential anxiety) of looking after their financial affairs and we believe this role will be even more important in the recovery period following COVID-19.

Whilst it is not possible to predict exactly how we may need to navigate the post-COVID-19 environment, our fundamental objectives remain unchanged:

- Commitment to delivering 'One Investec', through enhanced collaboration across the global Wealth & Investment business as well as with the wider Investec group
- Acceleration of our Financial Planning and Advice capabilities as the demand for wider advice continues to grow
- Delivering excellent client service and increasing the scope of our offering for intermediary clients, which should accelerate our growth in this segment
- Continued enhancements to our digital and technology platforms in order to ensure that we are fit for the future, not just the present
- Vigilance regarding cost control.

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

Investec Wealth & Investment is committed to managing its portfolios in a prudent and responsible manner to ensure the long-term health and stability of the market as a whole. Our investment process has long taken into consideration a number of key factors such as financial and non-financial performance and risk, capital structure and corporate governance metrics. We believe that failing to adhere to sound business practices will harm a company from a financial point of view, or in terms of reputation, with a consequent negative impact on investment returns. This is bolstered by input from third party service providers who score each of the companies in our core research universe on a variety of ESG metrics including environmental credentials, business ethics and human rights issues. This allows us to add a quantitative ESG overlay to our normal assessment of a company's investment appeal in the broadest sense.

Further to this, the charities business has always had a key focus on responsible investing. ESG factors are incorporated into our standard investment process, from which all clients benefit. We also have the ability to add specific additional restrictions on a client-by-client basis, which is a key benefit of our bespoke approach. We have been working with charities in the UK for more than 80 years and currently manage £2.9 billion on behalf of nearly 1 169 charities. We work closely with each charity client to create an investment portfolio that is tailored to their needs, aims and ethical considerations.

Q *What is your outlook for the coming financial year?*

Much of the future outlook is clearly dependent on the development of the COVID-19 virus and progress in controlling the pandemic. The outcome of this effort and the consequent impact on financial markets, will be the largest determinant of the impact on performance of the business in the coming financial year.

Nevertheless, we approach the future confident that we have the skills and experience to navigate these unprecedented circumstances. The business has strong foundations, honed over many years and the support of a very loyal client franchise, both direct and via intermediaries. The balance sheet is resilient and liquidity robust.

We also expect that there will be opportunities emerging from the pandemic – increasing demand for advice and more rapid digitalisation, for example – and we are positioning ourselves to capitalise on those.

The new financial year has started with a leadership transition; after more than 20 years with Investec, including the past decade as chief executive officer (CEO) of the UK Wealth & Investment business, Jonathan Wragg stepped down from his position as CEO on 1 April 2020. He is succeeded by Ciaran Whelan (acting Investec group head of risk) subject to regulatory approval. Jonathan and Ciaran will be working together through a handover period to 30 June 2020. The group thanks Jonathan for his many years of dedication, commitment, and the work that he has done in helping to build the UK Wealth & Investment business.

To conclude, most importantly, our prime objective remains to support and stay close to our clients, to ensure we continue to deliver the excellence of service that they expect and value.

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised briefly below with further details provided in the risk section of this report. The board, through its various sub-committees, has performed a robust assessment of these principal risks. For additional information pertaining to the management and monitoring of these principal risks, see the references provided. Regular reporting of these risks is made to senior management, the executives and the board at the DLC BRCC.

The board approved risk appetite framework is provided on page 54. The board recognises that, even with sound appetite and judgement, extreme events can happen which are completely outside of the board's control. It is, however, necessary to assess these events and their impact and how they may be mitigated by considering the risk appetite framework if necessary. It is policy to regularly carry out multiple stress testing scenarios which, in theory, test extreme but plausible events and from that assess and plan what can be done to mitigate the potential outcome.

The group has policies and processes in place to address principal risks set out below. The due diligence on these processes is also monitored by internal audit as set out on page 115.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Credit and counterparty risk		
Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group.	• Independent credit committees exist in each geography 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 non-executive review and oversight in the credit decision-making forums. • Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, medium enterprises, financial institutions and sovereigns. • Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short- to medium-term. • Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. • Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.	Pages 56 to 82.
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.	• Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before. • There is no specific appetite for exposures outside of the group'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, we may make use of political risk insurance to mitigate exposure where deemed necessary.	Page 57.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Investment risk		
Investment risk in the banking book arises primarily from the group's principal investments (private equity) and property investment activities, where the group invests in largely unlisted companies and select property investments, with risk taken directly on the group's balance sheet.	• Independent credit and investment committees exist in each geography where we assume investment risk. • Risk appetite limits and targets are set to limit our exposure to equity and investment risk. • As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.	Pages 83 to 84.
Market risk in the trading book		
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.	• To identify, measure, monitor and manage market risk, we have independent market risk management teams in our core geographies where we assume market risk. • The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow. • Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets. • Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), stressed VaR (sVaR), expected shortfall (ES) and extreme value theory (EVT). Stress and scenario analysis are used to add insight to possible outcomes under severe market disruptions.	Pages 86 to 89.
Cyber risk		
Risk associated with cyberattacks which can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm.	• Implement a risk-based strategy integrating prediction, prevention, detection and response capabilities. • Maintain an adaptive security architecture which leverages best-practice frameworks, research and threat intelligence to protect against evolving threats and advanced attacks. • Mature cyber resilience through coordinated incident response and crisis management processes. • Stress-test cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent 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. • Continually monitor the cyber threat landscape to identify, evaluate, prioritise, and respond to risk. • Review internal controls to ensure they remain effective and fit-for-purpose.	Page 99.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Financial crime		
Financial crime is any kind of criminal conduct relating to money, financial services or markets. It includes any offence involving fraud or dishonesty, misconduct in or misuse of information relating to a financial market, handling the proceeds of crime or the financing of terrorism. The offense is committed by internal or external agents to steal, defraud, manipulate, or circumvent established rules or legislation. This includes money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft.	• Continuous monitoring and assimilation of local and international legislative and best practice developments. • Appropriate risk-based policies and standards to mitigate the risk of exposure to financial crime. • Continuous enhancement and automation of our transaction monitoring capabilities, increasing detection of financial crime activity. • Assurance over the effectiveness of financial crime policies and processes by internal audit and compliance monitoring. • Mandatory AML and fraud awareness training for all staff. • External reviews and benchmarking of financial crime policies and processes, which could be in conjunction with financial crime, fraud, compliance monitoring and internal audit. • Ongoing collaboration with industry and law-enforcement and regulators. • Maintaining independent and confidential integrity where staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies. • Efforts are focused on increasing system capability, developing and implementing effective controls and ensuring adequate resourcing to improve efficiency and manage and mitigate money laundering, terrorist financing and bribery and corruption risk.	Page 99.
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.	• Each geographic entity must be self-sufficient from a funding and liquidity standpoint. • Our banking entities in South Africa and the UK are ring-fenced from one another and are required to meet the regulatory liquidity requirements in the jurisdictions in which they operate. • We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. • The maintenance of sustainable prudent liquidity resources takes precedence over profitability. • We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. • Stable customer deposits must fully fund our core loan book, with little reliance therefore placed on wholesale funding. • The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. • The asset and liability teams independently monitor key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruptions. • Daily liquidity stress tests are carried out.	Pages 90 to 94.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Capital risk		
The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the group.	• Investec plc undertakes an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. • The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group. • At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. • Our internal capital framework is designed to manage and achieve this balance. • The framework has been approved by the board and is managed by the Investec plc Capital Committee, a delegated subcommittee of the DLC Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.	Pages 105 to 113.
Non-trading interest rate risk		
Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity. Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services.	• The daily management of interest rate risk in the banking book is centralised within the Treasury of each banking entity and is subject to local independent risk and Asset and Liability Committee (ALCO) review. • Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and the ALCO. • Each relevant region has its own board approved non-trading interest rate risk policy and risk appetite, which is clearly defined in relation to both income risk and economic value risk. The policy dictates that long-term (>1 year) non-trading interest rate risk is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items. • Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors.	Pages 95 to 97.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Operational risk		
Operational risk is defined as the potential or actual impact to the group 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. Operational risk includes key aspects such as: business resilience; cyber security; anti-money laundering, terrorist financing and sanctions; fraud; information security; financial crime; third party reliance; process failure; regulatory compliance; data management; technology.	• The operational risk management framework is embedded at all levels of the group, 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 group's approach to manage operational risk operates in terms of a levels of defence model which reinforces accountability by allocating roles and responsibilities. This includes: – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable – Independent operational risk function: responsible for building and embedding the operational risk framework, challenging the business lines' inputs to, and outputs from, the group's risk management, risk measurement and reporting activities – Independent review and challenge: responsible for reviewing and testing the application and effectiveness of operational risk management procedures and practices. • We have established independent model validation teams who review the models and provide feedback on accuracy and operation of the model and note items for further development.	Pages 98 to 101.
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.	• We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. • Strategic and reputational risk is mitigated as much as possible through detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders. • A disclosure and public communications policy has been approved by the board.	Page 102.
Conduct risk		
Conduct risk is the risk that inappropriate behaviours or business activities may lead to client counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, or reputational and/or financial damage to the group.	• Investec's approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates with integrity and puts the well-being of its clients at the heart of how the business is run. • Investec ensures that its products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action. • Investec's conduct risk policy aims to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework. • The customer and market conduct committee has the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.	Page 103.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Compliance, governance and regulatory risk		
The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the group's operations, business prospects, costs, liquidity and capital requirements.	• Investec remains focused on complying with the highest levels of compliance to professional standards and integrity. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do. • We have independent compliance functions in each of our core operating jurisdictions, which ensure that the group implements the required processes, practices and policies to adhere to applicable regulations and legislation. • A global compliance forum exists which establishes and standardises group standards where applicable.	Pages 116 and 117 as well as our 2020 group sustainability and ESG supplementary report on our website.
Legal risk		
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.	• A Legal Risk Forum is constituted in each significant legal entity within the group 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. • We have a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate. • This is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary.	Page 103.
Business risk		
Business risk means the risk that external market factors create income volatility.	• The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base. • Group strategy is directed towards generating and sustaining a diversified income base for the group. • In the instance where income falls we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.	Pages 17 to 22.
Environmental (including climate risk), social and economic risk		
The risk that our lending and investment activities give rise to unintended environmental (including climate change), social and economic consequences.	• Investec has a holistic approach to corporate sustainability, which runs beyond recognising our own footprint on the environment, includes our many community activities and is based on a broader responsibility to our environment and society. • Accordingly, corporate sustainability risk considerations are considered by the relevant credit committee or investment committee when making lending or investment decisions. • There is also oversight by the Social and Ethics Committee on social and environmental issues, including climate-related impact considerations.	Pages 31 to 38, 57 and 104 and refer to our 2020 group sustainability and ESG supplementary report on our website.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
People risk		
The risk that we may be unable to recruit, retain and motivate key personnel.	• We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance. • We invest significantly in opportunities for the development of all our employees, and in leadership programmes to enable current and future leaders of the group. • We have a number of graduate programmes operating across our organisation sourcing and developing our talent pipeline. • Internal mobility is a valued mechanism for the development and retention of people. • Our human resources (HR) and organisation development (OD) teams play a critical role in assisting the business to achieve its strategic objectives, which are matched to learning strategies and market trends. • The Investec careers and HR teams are mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.	Pages 31 to 38 and refer to our 2020 group sustainability and ESG supplementary report on our website.

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the group. A number of these risks are beyond the group's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable. These emerging risks are briefly highlighted below and should be read in the context of our approach to risk management and our overall group risk appetite framework (refer to volume two of the integrated annual report).

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.

- **Macro-economic and geopolitical risks:** The group is subject to inherent risks arising from general macro-economic and geopolitical conditions in the countries in which it operates, including in particular the UK, as well as global economic and geopolitical conditions.

The impact of changes in the external environment during our financial year is discussed in the respective divisional sections on pages 17 to 22.

- **Fluctuations in exchange rates could have an adverse impact on the group's results of operations:** The group's reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of individual companies are reported in the local currencies of the countries in which they are domiciled, including Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in the group's financial statements. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used. Exchange rates between local currencies and Pounds Sterling have fluctuated substantially over the financial year.

- **The group's borrowing costs and its access to debt capital markets depend significantly on its credit ratings**: Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry. The reduction in the group's respective banking entities long- or short-term credit ratings could increase their borrowing costs, limit their access to capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements.

Information on our credit ratings is provided on page 114.

- **The financial services industry in which the group operates is intensely competitive:** The financial services industry is competitive and the group faces substantial competition in all aspects of its business. The group has developed leading positions in many of its core areas of activity, but does not take competition lightly, and our strategic objectives continue to focus on building business depth; providing the best integrated solution to our clients; and leveraging our digitalisation strategy in order to remain competitive.

Refer to pages 17 to 22 for further information.

Emerging risks which have continued to unfold and develop during the year, and which are included in our stress tests include:

- **The UK's exit from the European Union (EU):** Majority of the uncertainties relating to Brexit have been lifted following the 2019 December General Election and the UK's exit from the EU on 31 January 2020. There is a transition period for the UK's exit which expires on 31 December 2020.

  Investec Bank plc and Investec Wealth & Investment UK have each carried out a Brexit impact assessment, identified key risks and have implemented measures to mitigate them which will allow the group to continue to service EU clients when the UK leaves the EU.

- **Pandemics and widespread public health crises:** Including the recent COVID-19 pandemic, the impact of which will depend on future developments which are highly unpredictable and uncertain may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity which could have a significant adverse effect on Investec's results or operations, reputation and financial condition.

  There is currently unprecedented uncertainty resulting from the COVID-19 pandemic, including to the depth of the potential downturn in activity, the duration of restrictive measures and the lockdown exit plans within the geographies in which we operate. At the present time it is difficult to predict the full impact that the pandemic will have on the group. The board and management will continue to meet regularly, on a virtual basis, to ensure that all aspects of the challenges posed by COVID-19 are given full attention.

Building trust and credibility among our stakeholders is vital to good business

Section 172(1) statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) regulations 2018).

The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them.

The board recognises that effective communication and stakeholder engagement are integral in building stakeholder value and the board is committed to providing meaningful, transparent, timely and accurate financial and nonfinancial information to primary stakeholders as highlighted below.

The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group. In order to achieve these outcomes, the board promotes the presentation of a balanced and understandable assessment of the group's position by addressing material matters of significant interest and concern, highlighting key risks to which the group is exposed and responses to mitigate these risks.

Another objective is to show a balance between the positive and negative aspects of the group's activities in order to achieve a comprehensive and fair account of the group's performance.

The group's DLC structure, requires compliance with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority (UKLA), the Johannesburg Stock Exchange (JSE) and other exchanges, on which the group's shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Prudential Authority. From time to time, the group may be required to adhere to public disclosure obligations in other countries where it has operations.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the group finance and company secretarial divisions, ensures that we meet our public disclosure obligations.

The board-approved policy statement is in place to ensure compliance with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

The board of directors oversees the following engagement with our stakeholders:

Employees*

- Designated non-executive director overseeing workforce engagement
- Staff updates and discussions hosted by CEO, executive directors and/or senior management
- Regular CEO staff communication including via email and other digital channels
- Induction training for new employees including a welcome from the CEO and senior management
- Group and subsidiary fact sheets
- Particular focus on employee well-being via regular digital communication in light of the COVID-19 impact
- Tailored internal investor relations presentations
- Dedicated comprehensive intranet
- Quarterly magazine.

Investors and shareholders

- Regular meetings with executive directors, senior management and investor relations
- Annual meeting with the chairman of the board, chairman of the Remuneration Committee, senior Independent director (SID), investor relations, and group company secretarial
- Annual general meeting hosted by the chairman of the board with board attendance
- Two investor presentations and two pre-close investor briefing calls presented by the CEO and CFO
- Stock exchange announcements approved by relevant board representation
- Comprehensive investor relations website
- Investor roadshows and presentations
- Regular email and telephone communication
- Annual and interim results disclosure.

Clients

- Meetings with senior management
- Client relationship managers in each business
- Regular face-to-face, telephone and email communications
- Comprehensive website and app
- Industry relevant events
- Client marketing events.

Rating agencies

- Meetings with executive management, group risk management and investor relations
- Tailored rating agency booklet
- Tailored presentations
- Regular email and telephone communications
- Annual and interim results disclosure
- Comprehensive investor relations website
- Two results presentations and two pre-close briefing calls presented by the CEO and CFO.

* *Employees consists of permanent employees, temporary employees and contractors.*

Government and regulatory bodies	Equity and debt analysts
• Ongoing engagement with regulators, regular meetings are held between the chairman of the board, CEO, executive directors and the board with the UK Prudential Regulation Authority • Active participation in a number of policy forums • Engagement with industry consultative bodies.	• Two results presentations and two pre-close briefing calls presented by CEO and CFO • Stock exchange Announcements approved by relevant board representation • Comprehensive investor relations website • Regular meetings with investor relations and executive management including the CFO • Regular email and telephone communications • Annual and interim results disclosure.
Communities and NGOs	**Suppliers**
• Engage regularly with our community partners via in-person meetings, telephone/conference calls and emails • Comprehensive community website and social media platforms to encourage participation • Community partners and NGOs invited to collaborate at conferences and events.	• Centralised negotiation process • Procurement questionnaires requesting information on suppliers' environmental, social and ethical policies • The board has a zero tolerance approach towards any form of slavery in our supply chain. Our modern slavery policy can be found on our website.
ESG analysts and climate activists	**ESG and Climate related focused industry bodies**
• Regular communications on ad-hoc topics • Annual sustainability report • Comprehensive sustainability website • Comprehensive ESG disclosures • Sustainability factsheets.	• CEO is a member of the UN Global Investors for sustainable development alliance • Regular and active participation in a number of ESG and climate forums • Commitment to industry standards including TCFDs and PCAF • Regular knowledge sharing on ESG industry standards.

Topical discussions with our stakeholders

Impact of the political and economic environment and the COVID-19 pandemic

Key for stakeholders is the resilience of our business model through varied economic cycles and through a crisis. Consequently stakeholders have wanted to understand the impact of the COVID-19 pandemic and the economic environment on the group. The 2020 financial year was characterised by a challenging operating environment in the UK, ending with the sudden and extreme market dislocation resulting from COVID-19. Brexit, heightened UK political uncertainty, geopolitical tensions sparked by US trade wars, and finally the recent ongoing public health and economic effects of COVID-19, adversely impacted activity levels and financial performance over the past year.

Our businesses displayed resilience, delivering loan book growth, deposit growth and net inflows of funds under management; all underpinning client-driven revenues. However, this was offset by significantly lower investment and trading revenues, and higher than expected credit loss charges given the economic backdrop. We have disclosed the impact on our loan book and the changes to our macro-economic scenarios on pages 50 to 52 and 58 to 63.

The COVID-19 pandemic has had wide reaching impacts affecting our colleagues, our clients and our communities in various ways.

Our people have adapted quickly to the challenges and changes that have arisen from the prevailing conditions. The operational response of our business to the disruptions caused by COVID-19 was a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. At the close of the financial year, approximately 95% of our employees across the world were working from home. An extensive wellbeing offering was implemented providing online support for staff across physical, mental, emotional, social and financial wellbeing. Weekly engagement with staff was conducted to measure productivity, ability to cope and extent of feeling supported.

Our focus has also been on engaging with clients to ensure they receive the support they need and have come to expect from Investec. To meet the challenges faced by our clients, we mobilised our balance sheet and expertise to assist in finding the financial solutions or restructuring advice to help them through this period. At the time of reporting our results, we had provided COVID-19 relief to approximately 16 000 client cases in the UK.

From a community support perspective, the Global Executive Team and board members donated a portion of their salaries to charitable initiatives. Additionally, senior leaders and staff donated via salary deductions to various community initiatives focused on food security, economic continuity, healthcare and education.

As a group, we acted decisively to support our employees, clients and communities through this crisis, reaffirming Investec's position that "we live in society, not off it".

Our risk appetite framework as set out on page 54 is assessed regularly in light of market conditions and group strategy. Our stress testing framework regularly tests our key vulnerabilities under stress and we are comfortable that we have robust risk management processes and systems in place. The group has always had a long-term strategy of building a diversified portfolio of businesses to support clients through varying markets and economic cycles and we remain confident with the resilience of our businesses. The group's viability statement can be found on pages 164 to 166.

The declaration of dividends in light of the current economic backdrop has also been an area of interest to shareholders, potential investors, and staff. In light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence). This has been effectively communicated and well understood by all key stakeholders.

Demerger and separate listing of Investec Asset Management

Numerous discussions and communications in relation to the demerger transaction were held with various stakeholders including regulators, investors, rating agencies and clients. The transaction was also put to shareholder vote and passed with a 98% majority.

On 13 March 2020, the Investec group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. This followed the Investec group's initial announcement in September 2018 of its intention to simplify and focus the business, in pursuit of disciplined growth over the long term. The board is confident that the demerger and separate listing of Investec Asset Management will allow both businesses to have a sharper focus on their respective growth trajectories. This should result in improved resource allocation, better operational performance and higher long-term growth. For further detail on the demerger and separate listing of Investec Asset Management refer to pages 7 to 8.

Strategy execution

Shareholders have been particularly focused on the progress the group is making in respect of the strategic objectives presented at our capital markets day in February 2019. As such this has been a key focus area of the board over the past year. The board has overseen various strategic decisions taken by the group to progress with its stated strategy to simplify and focus the business in pursuit of disciplined growth in the long term. Over the past year, the Investec group completed the demerger of the Asset Management business as noted above, executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses (refer to page 273 for a detailed breakdown), reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the UK Private Banking business. These strategic objectives and our ability to execute on them has been a key topic of discussion with stakeholders since the Investec group presented them at our capital markets day in February 2019.

In this regard it has also been communicated to stakeholders that in light of the COVID-19 pandemic, the longer-term impacts of which are hard to judge at present, a review of the performance targets that were set for achievement in 2022 may be necessary. The board and senior management are strategising for a "new normal" and will communicate further with stakeholders when in a position to do so. In the meantime, we remain focused on delivering our strategy and achieving a sustained improvement in our key financial metrics and outcomes for all our stakeholders.

For further detail on the group's strategic focus and objectives refer to pages 3 to 4.

Shareholder dilution

The board consulted with major shareholders after the 2018 AGM where the resolutions granting directors' authority to allot shares were passed with a majority of less than 80%, given the concerns around the dilutive effect of the issuance of ordinary shares. Accordingly, these resolutions were not proposed at the Investec group's 2019 AGM held on 8 August 2019. The last share issuance took place in July 2019.

However, at the group's 2020 AGM, in light of the regulatory guidance issued in response to the COVID-19 pandemic which advises banks to conserve regulatory capital, suspend share buybacks and restrict the payment of cash bonuses to senior staff (including all material risk takers), the board will be seeking authority to allot 15 million ordinary Investec plc shares (around two percent of Investec plc's currently issued ordinary share capital), for the purposes of satisfying future employee share awards. Any allotment using this authority will only be for the purposes of satisfying employee share awards, and only to the extent that the company does not otherwise receive regulatory authority to purchase such ordinary shares from the market. Further detail on this resolution can be found in Investec's notices of AGMs.

General ESG engagement

We engage regularly with a range of stakeholders including shareholders, ESG analysts and rating agencies on a number of ESG topics that are relevant for our business.

In the past year:

- There was a specific interest in our approach to climate change and climate disclosures, as detailed below
- Fani Titi, the Investec group CEO, was appointed to the UN Global Investors for sustainable development alliance, made up of 30 leading corporates and financial institutions across the world. The alliance aims to accelerate action to better integrate the SDGs into core business; to scale up sustainable investments globally, especially to countries most in need; and to align investment with sustainable development objectives
- We signed up to support the Partnership for Carbon Accounting Financials (PCAF) and will have access to international best practice and be actively involved in the formulation of financial carbon reporting methodology.

www

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

Gender and diversity

Stakeholders remain interested in the progress made by Investec on a number of diversity issues, including workplace representation and board diversity. In this regard a number of actions have been taken by the group.

We have a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of 2020, and as at 31 March 2020, there was a 25% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were 5 (36%) persons of colour (as defined by the Parker Review) on the board. The group is also a signatory of the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets. We are also a member of the 30% Club in the UK.

The board recognises that more still needs to be done, in particular, in regards to the representation of women on the board, which has declined in the year. We remain committed to improving the diversity of the board, for a diverse board is and remains essential to the group, bringing indisputable benefits, including distinct and different outlooks, alternative points of view, and mind-sets able to challenge the status quo.

In addition, the group reported on its gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to further promote diversity.

Further information on our gender and diversity initiatives and progress can be found in the Investec group's 2020 integrated annual report as well as in the Investec group's sustainability and ESG supplementary report available on our website.

Non-financial reporting

The recommendations of the Financial Stability Board's TCFDs continue to gain traction with the PRA releasing a supervisory statement requesting banks and insurers to enhance their climate disclosures. The BOE published a discussion paper with proposals to test the resilience of the largest banks, insurers and the financial system to different possible climate pathways. The Australian Prudential Regulation Authority (APRA) is also developing a climate change financial risk prudential practice guide and will be seeking to undertake a climate change financial risk vulnerability assessment.

As a signatory of the TCFDs, we have included a summary of our climate risk position on page 104 in the risk section of this report and detailed TCFD disclosure is available on our website. This is a long-term process; we will continue to enhance our disclosure over time in line with industry guidelines, and best practice.

We have seen a heightened awareness of the SDGs with various internal and external stakeholders. Investec remains committed to building a more resilient and inclusive world and finding opportunities within our businesses to maximise our impact. The group CEO, Fani Titi, signed up to the United Nations (UN) CEO Alliance on Global Investment for Sustainable Development (GISD) in April 2019. The GISD, convened by the UN, aims to secure investment from the private sector to finance the goals. The Investec group reports on progress and performance in terms of the global goals in the Investec group's sustainability and ESG supplementary report on our website.

Climate engagement

Stakeholders have been increasingly concerned as to how banks are managing and mitigating climate consequences and if those risks are quantified within their disclosures. We have also seen pressure from many regulatory authorities including the PRA and the BOE to move climate disclosures from voluntary to mandatory reporting. Investec proactively engaged with over 50 stakeholders across all jurisdictions to ascertain expectations and views on climate issues. The broad concerns were around board responsibility, climate related policies, transparency of climate disclosures and the impact of transitioning to a low carbon economy. This feedback was consolidated and a number of actions taken:

- The DLC board takes ultimate responsibility for climate related issues, supported by a board approved Social and Ethics committee (DLC SEC). This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks
- Tanya dos Santos was appointed as Investec's Global Head of Sustainability on 4 June 2020. Tanya has been leading our efforts with regard to climate change for many years and brings extensive expertise and experience to this area
- We strengthened our climate change statement to make it clear that we align with the Paris Agreement goals and acknowledge the urgency and need to accelerate action
- After extensive process, we made our group fossil fuel policy public
- We disclose our fossil fuel exposures in volume one of the Investec group's integrated annual report as well as in the Investec group's sustainability and ESG supplementary report on our website. An analysis of the Investec group's project finance related transactions in terms of the Equator Principles is also included for the first time in the Investec group's sustainability and ESG supplementary report. In addition, our position in terms of ESG classifications is disclosed in the Investec group's TCFD report available on our website.
- Within our businesses, we are actively engaging with our clients to assist in transitioning to a low carbon economy
- Looking forward, our risk teams are analysing our climate positions across portfolios and will be assessing our exposure as the relevant climate scenarios and methodologies become available.

Executive remuneration

In 2018 we engaged in an extensive consultation exercise with our key shareholders, to assist us in designing our new remuneration policy. Following positive and constructive engagement with our key shareholders we implemented a significant number of changes requested by our shareholders, including reducing the like-for-like target remuneration opportunity by approximately 30% by, inter alia, increasing the target metrics. In addition, the fixed remuneration for the incoming CEO was reduced by 10%.

We consulted again with shareholders in February and July 2019, where we received support to technically amend the performance measures and metrics due to the pending demerger of Investec Asset Management. Through that process, we further reduced total "at target" and "at stretch" remuneration for the CEO (and other executive directors) of the remaining Investec business at roughly 10% lower than the current remuneration scheme. Overall, shareholders provided positive feedback on the changes made and on the level of detail and clarity of the disclosure. However, some of the Investec group's shareholders, whilst acknowledging these positive aspects, believed that the overall quantum of pay is too high relative to South African peers. The Investec group is an international business, and as such the Remuneration Committee believes it is appropriate to benchmark executive remuneration against a set of international peers, including South African competitors. Despite the Investec group's active engagement on these matters, certain of the Investec group's shareholders decided to vote against the remuneration report at the AGM in 2019.

We will again be engaging with our key shareholders ahead of our AGM in August 2020 where we will discuss key remuneration issues for the financial year ended 31 March 2020, and the expected approach for the next financial year as detailed in the remuneration report. We will also engage in an extensive consultation exercise with our key shareholders over the next 12 months as we develop our revised remuneration policy, which is scheduled to be presented to shareholders for approval at the AGM in August 2021.

Refer to the remuneration report in the Investec group's 2020 integrated annual report for more information.

Inputs

Human capital

We invest significantly in our people to grow talent and leadership. We provide a safe and healthy work environment that values physical as well as psychosocial well-being.

Intellectual capital

We leverage our expertise and specialist financial skills to provide bespoke solutions for clients. We maintain a diversified portfolio of businesses to support performance through varying economic cycles.

Social and relationship capital

We leverage key stakeholder relationships to enhance our impact on society and the macro economy. We contribute to society through our community programmes and are committed to transformation and youth employment in South Africa.

Natural capital

We support the transition to a low-carbon economy. We recognise the complexity and urgency of climate change and actively seek opportunities that have a meaningful impact in addressing climate change.

Technological capital

We leverage technology to modernise the business and create a digital, connected workplace. We have digitalised client platforms and drive innovation by partnering with fintechs.

Financial capital

We create sustained long-term wealth by building resilience in earnings and growing our core businesses.

Process

Business model and strategy

- **We strive to be a distinctive bank and investment manager, driven by commitment to our core philosophies and values**
- **We aim to create long-term value for all stakeholders**
- ***Doing well and doing good* by delivering profitable, impactful and sustainable solutions.**

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

Corporate / Institutional / Government / Intermediary

Specialist Banking

Private client (HNW / high income) / charities / trusts

Wealth & Investment

We have market-leading specialist client franchises

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

We are a people business backed by our out of the ordinary culture, entrepreneurial spirit and freedom to operate

Strategic focus for the next year

- **Managing liquidity, capital and balance sheet risk**
- **Cost control**
- **Monitoring credit exposures**
- **Continued support of staff, clients and society**
- **Integrating sustainability throughout our business**
- **Building for the long term.**

In the short term, our objective is to simplify, focus and grow the business with discipline.

Informed by regular stakeholder engagement

Refer to pages 31 to 35

Supported by strong risk management and governance culture

Refer to DLC Vol 2 page 11 and 12

VALUE CREATION THROUGH THE SIX CAPITALS

(continued)

Outputs > Outcomes > SDGs

Human capital

Outputs

- Staff participating in employee wellness initiatives: 1 650 (2019: 785)
- Learning and development as a % of staff costs is 0.8% (2019: 0.8%) (target: >1.5%)
- Total staff turnover: 13.7% (2019: 11.7%)
- All employees participate in culture and values dialogues
- 41% female employees (2019: 41%) and 22% females in senior management positions (2019: 19%)

Outcomes

- Safe and healthy work environment that values physical as well as psychosocial well-being
- Growth in talent and leadership
- Retained and motivated staff through appropriate remuneration and rewards structures
- A values-driven culture supported by strong ethics and integrity
- Diversity, equity, inclusion and belonging at all levels

Intellectual capital

Outputs

- Annuity income as a percentage of operating income is 71.5% (2019: 61.5%)
- Credit loss ratio of 0.69% (2019: 0.38%) due to COVID-19 related expected credit losses
- Enhanced our ESG policies, processes and reporting

Outcomes

- Diversified revenue streams that support long-term performance
- Risk management expertise leveraged to protect value
- Solid and responsible lending and investing activities

Social and relationship capital

Outputs

- Customer accounts up 16.2% to £15.3 billion
- Wealth & Investment net inflows of £484 million (2019: £138 million)
- 1.3% community spend as a % of operating profit (2019: 0.9%)

Outcomes

- Deep durable relationships with our clients and created new client relationships
- Invested in our distinctive brand and provided a high level of service by being nimble, flexible and innovative
- Contributed to society through our numerous community programmes and through our SDG activities
- Committed to transformation and youth employment in South Africa

Natural capital

Outputs

- 0.95% exposure to fossil fuels as a % of gross credit and counterparty exposures
- Achieved carbon neutral status in all our operations and committed to ongoing carbon neutrality
- Enhanced reporting on TCFDs and Equator Principles

Outcomes

- Transition to a low-carbon economy through funding and participating in renewable energy
- Limit our direct operational carbon impact
- Protect biodiversity through various conservation activities
- Aligned with the Paris Agreement

Technological capital

Outputs

- 18.9% of total operating costs relates to IT spend
- One in every four staff members is an IT specialist
- >95% of staff working from home during COVID-19
- Launched Investec IX, a corporate digital platform in the UK
- Made targeted investments in AI capabilities
- New RPA technologies embedded to optimise operations

Outcomes

- International platform for clients with global access to products and services which is both high-tech and high-touch
- Optimise our value chain and drive efficiencies
- Build an open banking platform as a channel to seamlessly integrate with fintechs

Financial capital

Outputs

- Operating income down 11.9% to £948 million and adjusted earnings per share down 30.4% to 33.9p
- Core loans up 12.9%, customer deposits up 16.2% and net inflows of £484 million
- Common equity Tier 1 ratio of 10.7% for Investec plc
- Credit loss ratio increased to 0.69% from 0.38% to cater for COVID-19
- Completed demerger and executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses

Outcomes

- Client franchises have shown resilience
- Strong balance sheet with robust capital and liquidity levels
- Increased provisioning levels and continue to monitor credit exposures
- Progress made on strategic initiatives

www ***For more detailed information on our contribution to the SDGs refer to our 2020 group sustainability and ESG supplementary report on our website.***

Ratings and rankings in the sustainability indices

We have maintained our inclusion in a number of world-leading indices.

Top 15% in the global diversified financial services sector

Top 30 in the FTSE/JSE Responsible Investment Index

Included in the **FTSE UK 100 ESG** Select Index (out of 641 companies)

1 of 43 banks and financial services in the Global ESG Leaders (total of 439 components)

Top 6% scoring AAA in the financial services sector in the MSCI ESG Research

Score B against an industry average of C

Top 20% of globally assessed companies in the Global Sustainability Leaders Index

Top 20% of the ISS ESG Global Universe and **Top 14%** of diversified financial services

Awards

Winner of the Sustainability Award in the 17th Annual National Business Awards 2019

Winner of the 16th Platinum Award in the City of London's Clean City Award Scheme for 2019

Shortlisted for the Financial Services Charity Partnership Award for partnership with Arrival Education in 2020

Investec ordinary shares

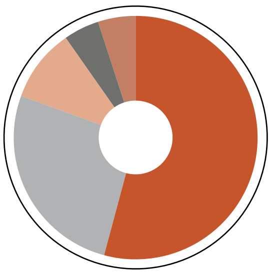
As at 31 March 2020 Investec plc had 696.1 million ordinary shares in issue.

Spread of ordinary shareholders as at 31 March 2020

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
16 908	1 – 500	53.1%	3 217 856	0.5%
5 936	501 – 1 000	18.6%	4 502 079	0.6%
6 504	1 001 – 5 000	20.4%	14 315 620	2.1%
884	5 001 – 10 000	2.8%	6 384 874	0.9%
873	10 001 – 50 000	2.7%	19 476 489	2.8%
218	50 001 – 100 000	0.7%	15 545 064	2.2%
527	100 001 and over	1.7%	632 640 636	90.9%
31 850		**100.0%**	**696 082 618**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2020



Investec plc

54.3%	South Africa
26.3%	UK
9.8%	USA and Canada
4.8%	Rest of Europe
0.0%	Asia
4.8%	Other countries and unknown

Largest ordinary shareholders as at 31 March 2020

In accordance with the terms provided for in section 793 of the UK Companies Act 2006, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

Shareholder analysis by manager group	Number of shares	% holding
1. Allan Gray (ZA)	95 219 274	13.7%
2. Prudential Portfolio Managers (ZA)	63 466 790	9.1%
3. Public Investment Corporation (ZA)	54 079 594	7.8%
4. BlackRock Inc (UK & US)	33 566 165	4.8%
5. The Vanguard Group, Inc (UK & US)	29 283 918	4.2%
6. T Rowe Price Associates (UK)	20 449 514	2.9%
7. Investec staff share scheme (UK)	20 011 416	2.9%
8. Legal & General Investment Management (UK)	15 929 479	2.3%
9. Norges Bank Investment Management (OSLO)	15 017 319	2.2%
10. Fairtree Capital (ZA)	14 822 956	2.1%
Cumulative total	**361 846 425**	**52.0%**

The top 10 shareholders account for 52.0% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder classification as at 31 March 2020

	Number of Investec plc shares	% holding
Public*	667 224 207	95.8%
Non-public	28 858 411	4.2%
Non-executive directors of Investec plc/Investec Limited	144 683	0.0%
Executive directors of Investec plc/Investec Limited	8 702 312	1.3%
Investec staff share schemes	20 011 416	2.9%
Total	**696 082 618**	**100.0%**

*As per the JSE Listings Requirements.

Share statistics

Investec plc

For the year ended	**31 March 2020**	31 March 2019
Price earnings ratio[1]	4.5	7.1
Dividend cover (times)[4]	**	2.2
Dividend yield (%)[4]	**	5.5
Earnings yield (%)[1]	22.3	14.2

Investec plc

For the year ended	**31 March 2020**	31 March 2019
Daily average volumes of share traded ('000)	2 631	1 904
Closing market price per share (Pounds)[2]	1.52	3.44
Number of ordinary shares in issue (million)[2, 3]	696.1	682.1
Market capitalisation (£'million)[3]	1 058	2 346

1 *Calculations are based on the adjusted earnings per share from continuing operations and the closing share price (adjusted for the demerger in the prior year).*
2 *As detailed on pages 7 and 8, on 13 March 2020 Investec group successfully completed the demerger of Investec Asset Management, which became separately listed as Ninety One on 16 March 2020. The closing share price and market capitalisation for Investec plc as at 31 March 2019 have been disclosed on an adjusted basis as calculated by Factset, to account for the aforementioned demerger.*
3 *The LSE only includes the shares in issue for Investec plc, i.e. currently 696.1 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
4 *The dividend cover and dividend yield in the prior year have been calculated using the group's consolidated adjusted earnings per share and group's closing share price as reported in the prior year respectively.*
** *In light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence with a dividend cover based on the Investec group's adjusted EPS of 2.5 times).*

Investec preference shares

Investec plc has issued preference shares.

Spread of preference shareholders as at 31 March 2020

Investec plc preference shareholders

Number of shareholders	**Holdings**	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
47	1 – 500	15.6%	8 766	0.3%
36	501 – 1 000	11.9%	27 447	1.0%
139	1 001 – 5 000	46.0%	266 774	9.7%
29	5 001 – 10 000	9.6%	222 020	8.1%
39	10 001 – 50 000	12.9%	851 160	30.9%
7	50 001 – 100 000	2.3%	521 865	18.9%
5	100 001 and over	1.7%	856 555	31.1%
302		**100.0%**	**2 754 587**	**100.0%**

Investec plc (Rand-denominated) perpetual preference shareholders

Number of shareholders	**Holdings**	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
34	1 – 500	44.1%	7 030	5.3%
15	501 – 1 000	19.5%	11 943	9.1%
20	1 001 – 5 000	26.0%	47 277	36.0%
5	5 001 – 10 000	6.5%	28 197	21.5%
3	10 001 – 50 000	3.9%	37 000	28.1%
–	50 001 – 100 000	0.0%	–	0.0%
–	100 001 and over	0.0%	–	0.0%
77		**100.0%**	**131 447**	**100.0%**

Largest preference shareholders as at 31 March 2020

Shareholders holding beneficial interests in excess of 5.0% of the issued preference shares are as follows:

Investec plc perpetual preference shares
CGWL Nominees Limited 12.8%
Pershing International nominees 6.1%

Investec plc (Rand-denominated) perpetual preference shares
Private individual 9.9%
Private individual 9.9%
Private individual 8.4%

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 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 • Client numbers • 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) • Gains or losses on investments • Dividends received.	• 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 • Client numbers • Market conditions/volatility • Asset and liability creation • Product innovation.	• Fees and commissions • Trading income arising from customer flow.
• Transactional banking services.	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure • Interest rate environment.	• Net interest income • Fees and commissions.

Overview

Investec plc reported an adjusted operating profit of £129.4 million for the year ended 31 March 2020 (2019^: £230.7 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 2019^.

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 loss impairment charges of £948.2 million was 11.9% lower than the prior year. The various components of total operating income are analysed below.

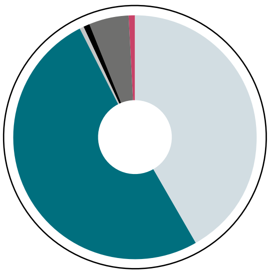
£'000	**31 March 2020**	**% of total income**	31 March 2019^	% of total income	% change
Net interest income	397 385	41.9%	385 826	35.8%	3.0%
Net fee and commission income	482 200	50.8%	487 058	45.2%	(1.0%)
Investment income	6 375	0.7%	90 533	8.4%	(93.0%)
Share of post-taxation profit of associates and joint venture holdings	5 382	0.6%	2 950	0.3%	82.4%
Trading income/(loss) arising from					
– customer flow	50 980	5.4%	86 766	8.1%	(41.2%)
– balance sheet management and other trading activities	(537)	(0.1%)	12 725	1.2%	(104.2%)
Other operating income	6 464	0.7%	10 476	1.0%	(38.3%)
Total operating income before expected credit loss impairment charges	**948 249**	**100.0%**	**1 076 334**	**100.0%**	**(11.9%)**

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

£'000	**31 March 2020**	**% of total income**	31 March 2019^	% of total income	% change
Wealth & Investment	317 731	33.5%	316 854	29.4%	0.3%
Specialist Banking	630 518	66.5%	759 480	70.6%	(17.0%)
Total operating income before expected credit loss impairment charges	**948 249**	**100.0%**	**1 076 334**	**100.0%**	**(11.9%)**

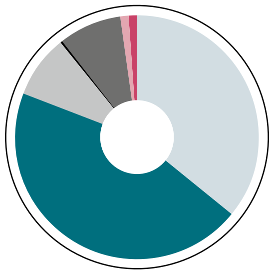
^ Restated as detailed on page 273.

% of total operating income before expected credit loss impairment charges



31 MARCH 2020
£948.2 million total operating income before expected credit loss impairment charges

41.9%	Net interest income
50.8%	Net fee and commission income
0.7%	Investment income
0.6%	Share of post taxation profit of associates and joint ventures holdings
5.4%	Trading income arising from customer flow
(0.1)%	Trading income arising from balance sheet management and other trading activities
0.7%	Other operating income



31 MARCH 2019^
£1 076.3 million total operating income before expected credit loss impairment charges

35.8%	Net interest income
45.2%	Net fee and commission income
8.4%	Investment income
0.3%	Share of post taxation profit of associates and joint ventures holdings
8.1%	Trading income arising from customer flow
1.2%	Trading income arising from balance sheet management and other trading activities
1.0%	Other operating income

Net interest income

Net interest income increased by 3.0% to £397.4 million (2019^: £385.8 million) underpinned by private client activity and loan book growth.

For a further analysis of interest received and interest paid refer to page 197.

Net fee and commission income

Net fee and commission income decreased by 1.0% to £482.2 million (2019^: £487.1 million). The Wealth & Investment business reported an increase in annuity fees. Overall fees from the Wealth & Investment business were impacted by the sale of the Irish Wealth business in October 2019. Within the Specialist Bank, the lending businesses saw reasonable levels of origination and sell-down activity with good fee generation. This was offset by lower equity capital markets fees resulting from persistent market uncertainty.

For a further analysis of net fee and commission income refer to page 198.

Investment income

Investment income decreased to £6.4 million (2019^: £90.5 million) reflecting the challenging macroeconomic backdrop during the year under review and the sudden extreme market dislocation in March 2020.

For a further analysis of investment income refer to page 198.

Trading income

Trading income from customer flow decreased to £51.0 million (2019^: £86.8 million). Reasonable activity levels were offset by losses arising from hedging of structured products driven by the COVID-19 related sudden and sharp fall in global markets in March 2020.

Trading income from balance sheet management and other trading activities decreased to a loss of £0.5 million (2019^: £12.7 million gain) primarily due to prior year asset sales and COVID-19 related market volatility in the current year.

Other operating income

Other operating income includes income earned on operating lease rentals.

Expected credit loss impairment charges

Total ECL impairment charges amounted to £75.8 million (2019: £24.6 million). The main contributors to the increase in impairment charges were: book growth, a COVID-19 related provision overlay and specific impairment provision, and the prior year release of provisions on non-core assets sold. The credit loss ratio increased to 0.69% (2019: 0.38%), with the ECL coverage ratio of our Stage 1 loan book also increasing to 0.4% from 0.2% in the prior year. Pre COVID-19, the credit loss ratio was calculated at 0.34% for 31 March 2020.

Stage 3 gross core loans and advances subject to ECL increased to £379 million (3.3% of gross core loans subject to ECL) at 31 March 2020 (31 March 2019: £319 million equating to 3.2% of gross core loans subject to ECL).

Refer to pages 75 to 82 for further information on asset quality and page 199 for a breakdown of the expected credit loss impairment charges.

^ *Restated as detailed on page 273.*

Operating costs

Operating costs decreased by 10.0% to £740.8 million (2019^: £823.4 million) driven by cost containment across the business (fixed costs and variable remuneration) and normalised premises costs. The cost to income ratio (net of non-controlling interests) amounted to 78.3% (2019^: 76.3%), impacted by lower revenues.

Group costs increased by 15.1% to £36.3 million (2019: £31.5 million), driven primarily by a one-off cost relating to the exit of a contract, which will result in overall future cost savings in relation to the contract. Prior to this cost, Group costs would have reduced year on year.

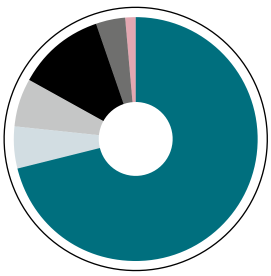
The various components of operating costs are analysed below:

£'000	**31 March 2020**	**% of operating costs**	31 March 2019^	% of operating costs	% change
Staff costs (including directors' remuneration)	527 673	71.2%	602 350	73.2%	(12.4%)
Premises expenses (including depreciation)*	40 225	5.4%	50 349	6.1%	(20.1%)
Equipment expenses (excluding depreciation)	48 096	6.5%	43 038	5.2%	11.8%
Business expenses	86 296	11.7%	95 676	11.6%	(9.8%)
Marketing expenses	28 781	3.9%	23 949	2.9%	20.2%
Depreciation, amortisation and impairment of equipment and intangibles	9 721	1.3%	8 012	1.0%	21.3%
Operating costs	**740 792**	**100.0%**	**823 374**	**100.0%**	**(10.0%)**

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

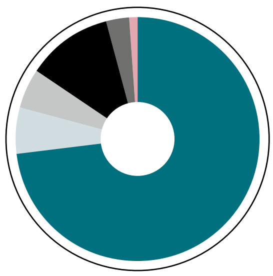
£'000	**31 March 2020**	**% of operating costs**	31 March 2019^	% of operating costs	% change
Wealth & Investment	254 714	34.4%	246 202	29.9%	3.5%
Specialist Banking	449 790	60.7%	545 654	66.3%	(17.6%)
Group costs	36 288	4.9%	31 518	3.8%	15.1%
Operating costs	**740 792**	**100.0%**	**823 374**	**100.0%**	**(10.0%)**

% of operating costs



31 MARCH 2020
£740.8 million total operating costs

71.2%	Staff costs
5.4%	Premises expenses (including depreciation)
6.5%	Equipment expenses (excluding depreciation)
11.7%	Business expenses
3.9%	Marketing expenses
1.3%	Depreciation, amortisation and impairment of equipment and intangibles



31 MARCH 2019^
£823.4 million total operating costs

73.2%	Staff costs
6.1%	Premises expenses (including depreciation)
5.2%	Equipment expenses (excluding depreciation)
11.6%	Business expenses
2.9%	Marketing expenses
1.0%	Depreciation, amortisation and impairment of equipment and intangibles

^ *Restated as detailed on page 273.*
* *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by £17.2 million as a result of recognising a right-of-use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability. Further detail is provided on page 199.*

Adjusted operating profit

As a result of the foregoing factors, adjusted operating profit from continuing operations decreased by 43.9% from £230.7 million^ to £129.4 million.

£'000	31 March 2020	31 March 2019^	% change
Wealth & Investment	63 018	70 628	(10.8%)
Specialist Banking	102 656	191 636	(46.4%)
Group costs	(36 288)	(31 518)	15.1%
Adjusted operating profit from continuing operations	**129 386**	**230 746**	**(43.9%)**

Amortisation of acquired intangibles

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

Financial impact of strategic actions

In pursuit of the group's objective to simplify, focus and grow the business, a number of strategic actions were effected during the year. Material actions included the closure of Click & Invest which formed part of the Wealth & Investment business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, and the closure and rundown of the Hong Kong direct investments business. These strategic actions resulted in a loss of £115.0 million (2019: £80.2 million) (refer to page 275 for detailed breakdown).

Taxation on operating profit before acquired intangibles and strategic actions

The release of provisions associated with the settlement of a tax case resulted in a taxation credit of £0.7 million for the year ended 31 March 2020 (2019: £29.9 million taxation charge).

	Effective operational tax rates				
£'000	2020	2019^	31 March 2020 £'000	31 March 2019^ £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	**(0.6%)**	13.4%	**706**	(29 876)	(102.4%)

www We have published our tax strategy for Investec plc on our website in accordance with UK tax law.

Balance sheet analysis

Since 31 March 2019:

- Total equity increased by 4.5% to £2.4 billion as a result of increased retained income, primarily driven by the gain on the demerger of the asset management business.
- Total assets increased by 10.1% to £24.9 billion largely as a result of loan book growth.
- Total liabilities increased by 10.7% to £22.5 billion primarily driven by growth in customer accounts (deposits).

^ *Restated as detailed on page 273.*

3

RISK MANAGEMENT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Overview of disclosure requirements

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 56 to 113 with further disclosures provided in the annual financial statements section on pages 169 to 285.

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

We supplement our IFRS 9 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 found in the definitions section of this report.

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

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

Philosophy and approach to risk management

The DLC Board Risk and Capital Committee (DLC BRCC) (comprising both executive and non-executive directors) meets at least six times per annum and recommends the overall risk appetite for the Investec group to the board for approval. The group's risk appetite statements set 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 risks arising from running our business.

The board has closely monitored developments as a result of the COVID-19 pandemic and receives regular updates. There has been enhanced governance and additional oversight on areas that have been most exposed to the pandemic to date.

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

The group has a strong and embedded risk and capital management culture. Risk awareness, control and compliance are embedded in all our day-to-day activities through a levels of defence model.

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

Group 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 group. 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 and we are continually seeking new ways to enhance risk management techniques.

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite tolerance as set out on page 54.

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 current macro-environment due to the COVID-19 pandemic continues to present significant challenges, the group was able to maintain generally sound asset performance and risk metrics throughout the year in review. Our risk appetite framework is set out on page 54.

Brexit heightened UK political uncertainty and geopolitical tensions sparked by US trade wars adversely impacted activity levels in the UK over the past year, making the UK operating environment very challenging. Against this backdrop, in the first quarter of 2020, the COVID-19 pandemic combined with an oil price shock stunned global markets resulting in unprecedented market dislocations. The sudden imposition of social containment measures in the UK, as well as many countries across the world, led to a synchronised slowdown of economic activity, mounting financial pressure on our clients. 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.

Investec Bank plc (IBP)'s ratings are in line with the prior year. IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative. Fitch took a number of negative rating actions on 18 UK banking groups in April 2020 to reflect the heightened risk from the global COVID-19 pandemic. IBP's outlook was changed from Stable to Rating Watch Negative but the rating was maintained at BBB+. At 31 March 2019, IBP had been on Rating Watch Negative by Fitch along with a number of other UK banks due to Brexit uncertainty.

The group's net core loan book growth since 31 March 2019 was 12.9% to £11.9 billion at 31 March 2020. Growth in net core loans was driven by the residential owner-occupied mortgage portfolio as we gained good traction in our Private Banking strategy, as well as diversified growth in other private client and corporate client lending portfolios together with selective lending collateralised by property, with loan to values at conservative levels. Credit exposures are focused on secured lending to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continued to favour lower risk, income-based lending, with exposures well collateralised with credit risk taken over a short- to medium-term.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a smaller proportion of net core loans. The group's net core loan exposures remain well-diversified with commercial rent producing property loans comprising approximately 8.8% of net core loans, other lending collateralised by property 7.7%, high net worth and private client lending 26.4% and corporate and other lending 57.1% (with most industry concentrations well below 5%).

Our exposure to sectors considered vulnerable to COVID-19 totalled £1.8 billion as at 31 March 2020 or 14.6% of gross core loans and advances predominantly through our aviation finance (4.0%) and small ticket asset finance (5.6%) businesses, however, we remain confident that we have a well diversified portfolio across sectors. Government stimulus and support measures are expected to mitigate the impact on vulnerable sectors but it remains too early to assess the full impact of this.

Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, IBP's credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%), however, after taking into account the impacts of COVID-19 the overall credit loss ratio was 0.69%, largely reflecting a deterioration in macro-economic scenario forecasts modelled by applying a £19 million expected credit loss (ECL) overlay as well as an amount that relates to a single name transaction impacted by the COVID-19 pandemic.

Assessing the expected impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account of the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario characterised by a 9.4% contraction in gross domestic product (GDP). In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying the £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the models. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

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. The group applies the IFRS 9 transitional arrangements to regulatory capital calculations to absorb the full impact permissible of IFRS 9.

Stage 2 exposures totalled £576 million and remained low as a proportion of gross core loans subject to ECL at 5.1% at 31 March 2020, reduced from 5.8% at 31 March 2019. Stage 3 totalled £379 million at 31 March 2020 or 3.3% of gross core loans subject to ECL (31 March 2019: 3.2%). Stage 3 exposures are well covered by ECLs. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 2.4% (31 March 2019: 2.2%). Stage 3 in the Ongoing book (excluding Legacy) totalled £249 million or 2.2% of gross core loans subject to ECL at 31 March 2020 (31 March 2019: 1.5%) driven by a small number of idiosyncratic movements into Stage 3. These exposures are adequately provisioned.

Legacy exposures have reduced by 15% since 31 March 2019 to £111 million (net of ECL) at 31 March 2020 and now comprise only 0.9% of net core loans and advances. These assets were substantially impaired and are largely reported under Stage 3.

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. At 31 March 2020, £399 million or 3.3% of gross core loans and advances had been granted some form of relief measures, of which £385 million are assets reported in Stage 1.

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses. Trading revenue was adversely affected by the losses arising from the hedging of structured products due to the extraordinary market dislocation, increased hedging costs and dividend cancellation. At 31 March 2020, the 95% one-day value at risk (VaR) measure was £1.5 million as a result of the increased market volatility in March, up from an average 95% one-day VaR during the year to 31 March 2020 of £0.6 million.

We have reduced our underlying investment portfolio exposure in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises. The investment portfolio per the balance sheet, excluding our investment in Ninety One, reduced by 23.7% over the year under review to £376 million at 31 March 2020. As part of a strategic associate investment, Investec plc retained a 16.0% shareholding in Ninety One (previously known as Investec Asset Management) post the demerger. As a founding shareholder of Ninety One, the boards of both the Investec group and Ninety One believe that it is appropriate for the Investec to retain a modest shareholding in Ninety One. Investec believes Ninety One is an attractive business with meaningful intrinsic value. Retaining an equity stake allows the Investec group to participate in future value creation by Ninety One. The connected exposure in the Hong Kong direct investments portfolio (as disclosed on page 275) was fully written off to £nil at 31 March 2020.

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime are high priorities, and the group 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 group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

The group has continued to maintain a sound balance sheet with a low gearing ratio of 10.4 times and a core loans to equity ratio of 5.0 times at 31 March 2020. The group's current leverage ratio was 7.8% ahead of the minimum 6% target level.

The group has always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. During the year there was positive capital generation and risk-weighted asset (RWA) growth remained measured. Following the demerger of Investec Asset Management, Investec plc subscribed for further capital in the bank.

We maintain an Investec group target common equity tier 1 (CET1) ratio in excess of 10% which is currently considered appropriate for our business and given our sound leverage ratios and significant capital light revenues. The group is on the standardised approach for capital. The CET1 ratio was 10.7% at 31 March 2020 in excess of regulatory minimums and ahead of our Investec group target.

In January 2020, 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 IBP's minimum requirement for own funds and eligible liabilities (MREL) requirement as equal to its total regulatory capital requirements.

In addition, as part of the Prudential Regulation Authority (PRA)'s most recent Internal Capital Adequacy Assessment Process (ICAAP), the Investec plc Pillar IIA capital requirement was reduced from 1.51% to 1.12%. This together with the reduction in the UK Countercyclical Capital Buffer (CCyB) (which was reduced by the Financial Policy Committee (FPC) in light of the current economic environment) has resulted in a lower CET1 regulatory minimum for Investec plc and IBP, substantially increasing our regulatory capital surplus.

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

A strong liquidity position continued to be maintained throughout the year primarily supported by growth in fixed term and notice retail customer deposits. Cash and near cash balances amounted to £6.0 billion at 31 March 2020 (31 March 2019: £7.0 billion). Average cash balances were significantly surplus to usual levels, largely driven by prefunding ahead of the closure of our Irish deposit raising business as a result of Brexit, as well as the decision to hold higher levels of cash balances since the onset of the COVID-19 pandemic. The group has raised a substantial amount of deposits over the year. Customer accounts (deposits) totalled £15.3 billion at 31 March 2020. Loans and advances to customers as a % of customer deposits ratio remained conservative at 77.7%. For Investec plc and IBP (solo basis) the Liquidity Coverage Ratio (LCR) is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the PRA at 31 March 2020 was 396% for Investec plc and 411% for IBP (solo basis). Ahead of the implementation of the final Net Stable Funding Ratio (NSFR) rules, the group has applied its own interpretations of regulatory guidance and definitions from the Basel Committee on Banking Standards (BCBS) final guidelines to calculate the NSFR which was 122% for Investec plc and 120% for IBP (solo basis). The reported NSFR and LCR may change over time with regulatory developments and guidance.

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 global pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the group's strategic objectives and to insulate the group from further ongoing market uncertainty. We expect to participate in the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

The group's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's 'key vulnerabilities under stress'. A fundamental part of the stress testing process is a full and comprehensive analysis of all the group's material business unit activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the IBP specific stress scenarios are designed to specifically test the unique attributes of the group's portfolio. The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed.

These Investec specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the group. This process allows the group to proactively identify underlying risks and manage them accordingly. During the year, a number of stress scenarios were considered and incorporated into our processes including for assessing the impact of COVID-19. We continue to assess the potential impact from the current uncertain environment and its potential impacts on the bank.

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 group 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 group would continue to maintain adequate liquidity and capital balances to support the continued operation of the group.

Given the unusual and unprecedented economic and market conditions as a result of the COVID-19 pandemic, the risk outlook remains uncertain and it is unclear how our clients will adjust over the coming months. As the pandemic evolves, management is focused on maintaining the integrity of our balance sheet through continuous oversight of credit, liquidity and capital risk with ongoing stress testing, scenario modelling and client engagement ensuring the business remains operational through resilience strategies implemented, as we continue to support our clients during this period. We are comfortable that we have a strong balance sheet with regard to the high levels of liquidity, strong capital and low leverage as well as established risk management processes and systems in place to navigate through this period of uncertainty.

Salient features

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

At 31 March	2020 £	2019 £
Net core loans and advances (£'million)	11 870	10 514
Total assets (£'million)	24 925	22 637
Total risk-weighted assets (£'million)	16 285	15 313
Total equity (£'million)	2 389	2 285
Cash and near cash (£'million)	6 040	6 991
Customer accounts (deposits) (£'million)	15 280	13 151
Loans and advances to customers to customer deposits	77.7%	80.0%
Structured credit investments as a % of total assets	2.1%	2.1%
Banking book investment and equity risk exposures as a % of total assets	2.7%	2.57%
Traded market risk: 95% one-day value at risk (£'million)	1.5	0.4
Core loans to equity ratio	5.0 x	4.6 x
Total gearing ratio**	10.4 x	9.9 x
Return on average assets#	0.78%	1.19%
Return on average risk weighted assets#	1.17%	1.73%
Stage 3 exposures as a % of gross core loans and advances subject to ECL	3.3%	3.2%
of which Ongoing (excluding Legacy) Stage 3##	2.2%	1.5%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%
Credit loss ratio	0.69%	0.38%
Level 3 (fair value assets) as a % of total assets	6.8%	8.4%
Total capital ratio^	14.9%	15.4%
Tier 1 ratio^	12.4%	12.2%
Common equity tier 1^	10.7%	10.4%
Leverage ratio – current^	7.8%	7.7%
Leverage ratio – 'fully loaded'^	7.4%	7.3%

* *Total assets to total equity.*
^ *As defined on page 113.*
\# *Where return represents adjusted earnings, restated for March 2019 as detailed on page 274 and defined on page 286. Average balances are calculated on a straight-line average.*
\#\# *Refer to definitions of page 287.*

Risk appetite

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

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

Risk appetite and tolerance metrics	*Positioning at 31 March 2020*
We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions	For our continuing operations capital light activities contributed 51.5% to total operating income and balance sheet driven activities contributed 48.5%
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income for our continuing operations amounted to 71.5% 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 78.3%. Refer to page 47 for further information
We are a lowly leveraged firm and target a leverage ratio in excess of 6%	The current leverage ratio amounted to 7.8%; refer to page 111 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 group and we target a minimum tier 1 ratio of 11% and a CET1 ratio above 10%	We met these targets; our total capital ratio amounted to 14.9% and our CET1 ratio amounted to 10.7%. Refer to page 113 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. 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
We have a preference for primary exposure in the group's main operating geography (i.e. the UK). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client	Refer to page 57 for further information
We take a cautious approach with respect to industries that are known to damage the environment. Financial risk from climate change is a highly important topic which helps to inform decisions. We acknowledge that our approach is still work in progress and will continue to develop this over time	Refer to pages 57 and 104 for more information
We target a credit loss ratio of less than 0.5% (less than 1.75% under weak economic/stressed scenarios) 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; less than 4% under weak economic). We target Stage 3 net of ECL as a % of CET1 less than 25%	We currently remain within all tolerance levels given the current weakened economic environment. Pre COVID-19, IBP's credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%) however taking into account the impacts from COVID-19 the overall credit loss ratio was 0.69%. Stage 3 net of ECL as a % of net core loans and advances subject to ECL was 1.7% (excluding the legacy portfolio). Stage 3 net of ECL as a % of CET1 was 14.9%. Refer to page 75 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 £6.0 billion at year end representing 39.5% of customer deposits. Refer to page 92 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 £2.5 million	We met these internal limits; one-day 95% VaR was £1.5 million at 31 March 2020; refer to page 87 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of CET1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio amounted to £348 million representing 19.9% of CET1. Refer to page 84 for further information
We maintain sound operational risk practises to identify and manage operational risk. The group has no appetite for failures in meeting our legal and ethical obligations to combat financial crime and for failures to meet regulatory rules or guidance	Refer to pages 98 to 101 for further information
We have a number of policies and practices in place to mitigate reputational, legal, tax and conduct risks	Refer to pages 102 and 103 for further information

* *In light of the COVID-19 pandemic, the longer-term impacts of which are hard to judge at present, a review of the performance targets that were set for achievement in 2022 may be necessary.*

Group 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 group 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 board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably with appropriate expertise and facilitate operating independence
- Run appropriate risk committees, as mandated by the board
- Maintain compliance in relation to regulatory requirements.

An overview of our principal risks

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

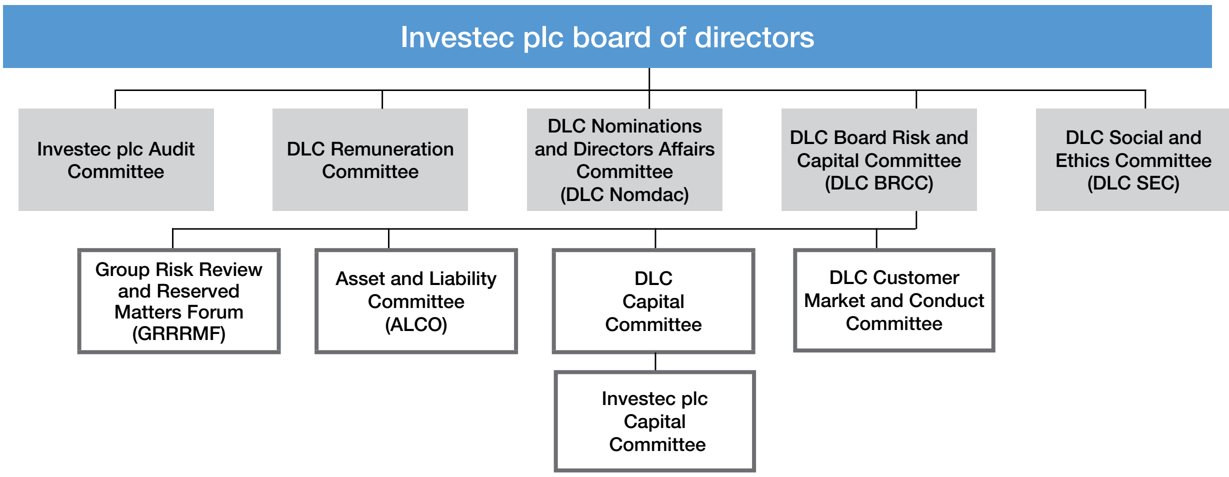
These principal risks have been highlighted on pages 23 to 30.

The sections that follow provide information on a number of these risk areas and how the group 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 group level, as shown in the diagram below. These committees and forums, mandated by the board, operate together with group risk management and their sub committees within respective operating jurisdictions. The board of IBP, our regulated banking subsidiary, and the board of IW&I, our regulated wealth subsidiary, are responsible for the statutory matters and corporate governance for the respective entities, and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The boards and board committees of IBP and IW&I report to the board and the board committees of the group, with the interconnection between the respective board committees, supported by the membership or attendance of the chairman of the group board committee at the respective subsidiary board committee.



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

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as over-the-counter (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 which also have oversight to 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:

- 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 ADR Forums respectively and consider and approve the appropriate level of ECL impairments, and staging
- Models Forums provide an internal screening and validation process for credit models. We have established independent model validation teams who review the models and provide feedback on the accuracy and operation of the models and note items for further development through this forum.

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

Credit and counterparty risk appetite

The board has set risk appetite limit frameworks which regulate the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. These limit frameworks, approved at least annually, are monitored on an ongoing basis by IBP BRCC, DLC BRCC and the board. 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.

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 group'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 by group risk management, group lending operations as well as the originating business units.

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 group's main operating geographies. The group 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 group'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 group's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with Organisation for Economic Co-operation and Development (OECD) standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

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

Sustainability considerations

The group has a holistic approach to sustainability. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. We play an important role in funding (both lending and in investing) a sustainable economy that is cognisant of the world's limited natural resources and promotes carbon reduction. We integrate environmental, social and governance (ESG) considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG aspects including (but not exclusively) the following:

- 2030 Agenda and the UN Sustainable Development Goals
- UN Global Compact
- International Finance Corporation (IFC) to assess high and medium risk industries
- OECD Guidelines for Multinational Enterprises and export credits
- CDP (Carbon Disclosure Project)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Bankers Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce.

We fully apply the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant. We report on these in our sustainability and ESG supplementary report on our website.

We have a number of group policies that also guide decision-making from a sustainability perspective and we made our group fossil fuel policy public on 31 March 2020. A variety of ESG considerations are considered by the credit committee or investment committee when making lending or investment decisions. There is also oversight by the DLC Social and Ethics Committee (DLC SEC) on social and environmental issues including climate related risks and opportunities.

In particular, the following factors are taken into account when assessing a transaction based on the outcome of the group sustainability considerations:

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

www **_Refer to our group sustainability and ESG supplementary information on our website._**

Stress testing and portfolio management

The group's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the group's material business activities, incorporating views from risk management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macro-economic, political risk backdrop and impacts of COVID-19. These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the group. This process allows the group to identify underlying risks and manage them accordingly.

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

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

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets subject to ECL as defined on page 287, are as described below:

Stage 1

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

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of amounts due. These exposures will remain reported in Stage 1 for the foreseeable future, and will not be required to hold a lifetime ECL. At 31 March 2020, £399 million of gross core loans and advances had been granted some form of relief measures, of which £385 million were assets reported in Stage 1.

Stage 2

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

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

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice. The total amount of exposure forborne within Stage 2 and Stage 3 at 31 March 2020 was 1.1% of total gross credit and counterparty exposures (31 March 2019: 1.1%).

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 the group's exposures regarding what constitutes a significant PD movement. The test involves both an absolute and relative movement threshold. An asset is considered to have been subjected to a significant increase in credit risk if the appropriate PD has doubled relative to the value at origination and on an absolute basis has increased by more than 1%. Any asset with an original rating that is classified as investment grade will be judged to have had a significant movement if the new PD would classify it as sub-investment grade and the equivalent rating has moved by more than three notches.

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

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

Definition of default

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

ECL

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

A management overlay of £8 million (£8 million at 31 March 2019) was maintained at 31 March 2020 in addition to the bank's calculated model-driven ECL. This management overlay was initially due to the UK bank's limited experience of utilising model output for reporting purposes and uncertainty over the models' predictive capability. The overlays were designed to capture specific areas of model uncertainty during the initial adoption of IFRS 9. The model overlay methodology was enhanced during the year to give a clearer mechanism for release over time as the bank reduces the level of model uncertainty. The UK bank will assess the appropriateness of this management overlay and expect that it will continue to be unwound as the uncertainty of the models predictive capability reduces.

In addition to the model overlay, a new management overlay of £19 million (£nil at 31 March 2019) was introduced at 31 March 2020 to capture the worsened economic environment due to COVID-19 not yet captured in the models. Given the lack of a clear consensus forecast at the end of March along with consideration of regulatory guidance and significant levels of government measures announced, the updated macro-economic scenarios were applied by way of a management overlay. We will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook.

The assessment of the impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account of the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario. In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying the £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the current models. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

Further details can be found on page 60.

Write-offs

A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case-by-case basis. Any recoveries of amounts previously written off decrease the amount of impairment losses.

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 78.

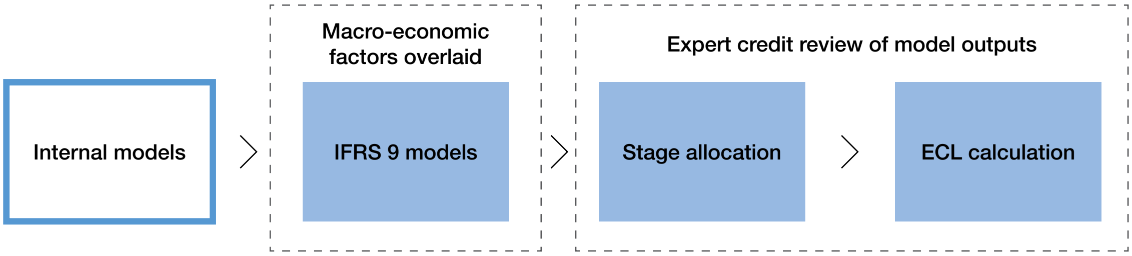
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

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

Process to determine ECL



ECLs are calculated using three main components:

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

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

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

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

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and 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 are also utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low-default nature of these portfolios, such as cash and balances held at central banks.

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

Forward-looking macro-economic scenarios

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

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

As we approached 31 March 2020 it was deemed appropriate to re-look at the macro-economic scenarios and revise our approach, given the significant deterioration in the economic environment in our core geographies due to the COVID-19 pandemic.

Given the lack of a clear consensus forecast at the end of March along with consideration of regulatory guidance and significant levels of government measures announced, an additional set of updated macro-economic scenarios were applied resulting in a management overlay.

This process has been subject to robust board governance processes given the significant levels of judgement required for these inputs.

The COVID-19 pandemic is still in evolution, and while a better understanding of COVID-19 has been gained over the last few months from the experiences in other countries (particularly China), it is not yet certain how long it will take to contain the virus (flatten the curve globally), and how long the global economy will be negatively affected, with growing concerns that the negative impact of COVID-19 could continue into 2021.

A management overlay was considered the most appropriate way to capture the worsened economic environment given the significant levels of uncertainty and lack of supportable economic information to produce robust forecasts at this early stage of the pandemic as well as the unprecedented levels of government measures announced, which are not easily quantifiable in economic scenarios. We will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook. Determining the expected impact from COVID-19 as well as the offsetting effect of the unprecedented levels of government measures required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The basis for the management overlay was a weighted consideration of two macro-economic scenarios, which were developed by Investec's economists to take account of the COVID-19 pandemic as at 31 March 2020, a COVID-19 short scenario and a COVID-19 long scenario described in further detail below. In addition, management considered the extent of the expected impact from government measures not captured in the scenarios as well as the expected trajectory of the recovery in applying a £19 million ECL overlay across the performing portfolio to capture risks not yet identified in the current models. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

The COVID-19 short scenario as at 31 March 2020 forecasts a peak to trough GDP contraction in 2020 of c.9.4%. The impact on GDP is anticipated to exceed that of the 2008/09 global financial crisis, although over a much shorter time frame. In the period immediately afterwards GDP is seen to rebound by around 4% as COVID-19 restrictions are lifted and recovery continues through the fourth quarter of 2020. After this, as disruption from the pandemic remains at bay, the recovery continues but at a more moderate pace. Unemployment reaches 8.5% at its peak and, over the full forecast period, growth is not seen as sufficient to bring unemployment back to pre-COVID levels. Monetary policy is assumed to remain exceptionally stimulative throughout, with the BoE maintaining the bank rate at 0.10%, QE and liquidity schemes such as the Term Funding Scheme also remaining in place. This is also considered to be the case globally with respect to monetary policy and real estate prices are also impacted, to a lesser extent than the COVID-19 long scenario. Exceptional policy action from both central banks and governments is expected to help limit possible second round effects on economic activity, but in the short-term, action is unlikely to prevent a sharp global contraction, with a significant share of the world's population under some form of restricted movement. The weighting applied to this scenario was 75% to reflect the group's view at 31 March 2020 of the potential severity and duration of the shock.

The COVID-19 long scenario has a similar GDP contraction as the COVID-19 short scenario, however, despite the recovery the overall economic environment remains weaker for longer in this scenario and only returns to its pre-scenario level by the fourth quarter of 2024. Unemployment peaks and then flattens at 8.0%. The assumption is that working population growth is also 0.5% per annum and so the jobless rate only begins to come down when GDP growth speeds up in late 2023. Rising unemployment and tighter credit conditions negatively impact the housing market where national house prices fall 20%, the retracement in London prices is slightly more pronounced falling 25%.

The scenarios described below were designed before COVID-19 became a global pandemic and hence they do not take into account the evolving situation surrounding the global spread of COVID-19. These scenarios incorporate a base case, an upside case and two down cases.

The base case scenario, envisages a modest strengthening in economic activity as uncertainties related to Brexit were lifted following the December General Election and the UK's exit from the EU on 31 January 2020. Further it is assumed that the UK leaves the transition period at the end of 2020 as planned. Meanwhile the domestic labour market is expected to remain tight, inflation is assumed to trend around the BoE's 2% target and house prices are forecast to see modest annual growth. Amidst this backdrop the BoE is assumed to raise interest rates very gradually from 2020 onwards. On a more global scale it is assumed that the trade tensions of 2019 begin to recede, removing a major headwind to global economic activity. As such, global growth is assumed to return to trend levels over the forecast horizon.

Since 30 September 2019, the base case average UK GDP growth over the forecast horizon has remained unchanged at 1.5%. However, following the UK's general election result and the UK's formal exit from the European Union (EU), near-term uncertainty around Brexit has receded and hence the weighting on the base case increased to 55% from the 45% disclosed at 30 September 2019, but lower than the 60% weighting on the base case at 31 March 2019. In addition, the downside 2 (domestic) scenario was replaced with a scenario that reflects the risk of a prolonged period of weak global economic growth, rather than one that focuses purely on domestic risks. This was in response to recent UK events which reduced the risks around Brexit and the fact that risks around subdued global growth remained prominent.

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

Two downsides were designed for use in modelling ECL. These include a severe global economic shock, which encompasses a sharp repricing in risk assets, stresses in corporate debt markets and a material tightening in credit conditions, which culminates in a global recession. The second downside scenario envisages a situation whereby trade tensions escalate, industrial sector weakness continues and a recovery in global growth does not materialise. Amidst numerous headwinds to economic activity and uncertainty, a period of economic stagnation is witnessed over the entire forecast horizon.

The upside scenario assumes a global recovery in productivity growth following the subdued levels witnessed in the years following the 2008/09 global financial crisis. GDP growth strengthens both domestically and globally to above trend levels over a five-year horizon.

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

The table that follows shows the key factors that formed part of the initial set of UK and Other macro-economic scenarios (prior to the COVID-19 pandemic) and their relative applied weightings.

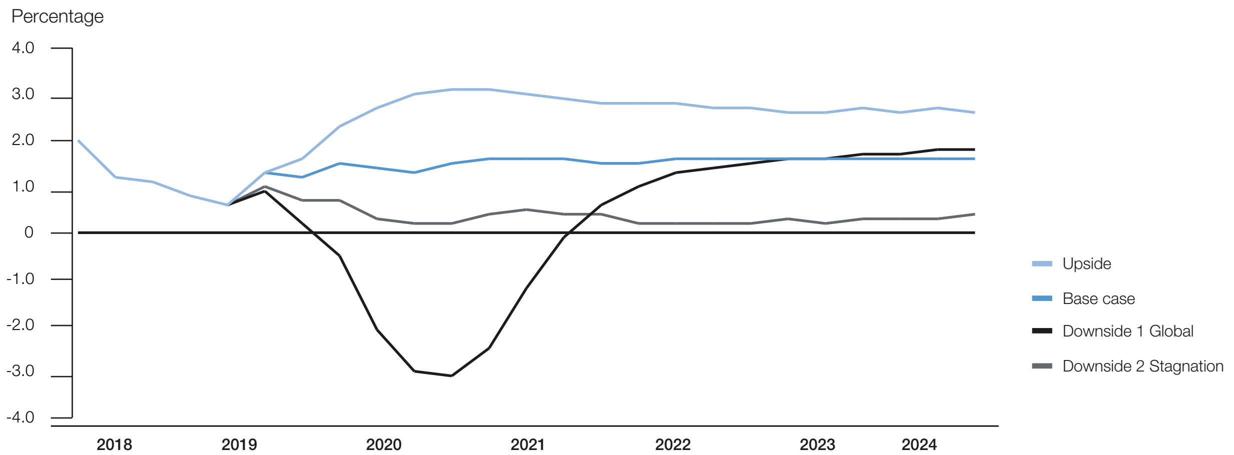
Macro-economic scenarios	At 31 March 2020 average 2020 – 2025				At 31 March 2019 average 2019 – 2023			
	Upside %	**Base case %**	**Downside 1 Global %**	**Downside 2 Stagnation %**	Upside %	Base case %	Downside 1 Global %	Downside 2 Domestic %
UK								
GDP growth	2.7	1.5	0.2	0.4	2.5	1.5	0.2	0.1
Unemployment rate	4.2	4.1	6.3	5.2	3.6	3.8	6.7	4.7
House price growth	2.8	2.5	(2.1)	(1.7)	3.4	3.3	(1.9)	(1.3)
Bank of England – Bank rate	2.3	1.2	0.2	0.0	2.7	1.9	0.1	0.2
Euro area								
GDP growth	2.7	1.4	0.3	0.2	2.1	1.6	0.2	1.4
US								
GDP growth	2.7	1.8	0.2	0.6	2.0	1.9	0.7	1.9
Scenario weightings	**10**	**55**	**15**	**20**	**13**	**60**	**14**	**13**

The following table shows annual averages of economic factors for the base case over a five-year forecast period.

	Financial years				
Base case %	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
UK					
GDP growth	1.4	1.5	1.6	1.6	1.6
Unemployment rate	3.9	4.1	4.1	4.2	4.2
House price growth	2.4	2.5	2.6	2.6	2.5
Bank of England – Bank rate	0.8	1.0	1.3	1.5	1.5
Euro area					
GDP growth	1.3	1.5	1.5	1.4	1.5
US					
GDP growth	1.8	2.1	1.7	1.8	1.8

The graph below shows the historic and Investec specific forecasted UK GDP under each scenarios.

Historic and forecast UK GDP growth Pre COVID-19 assumptions

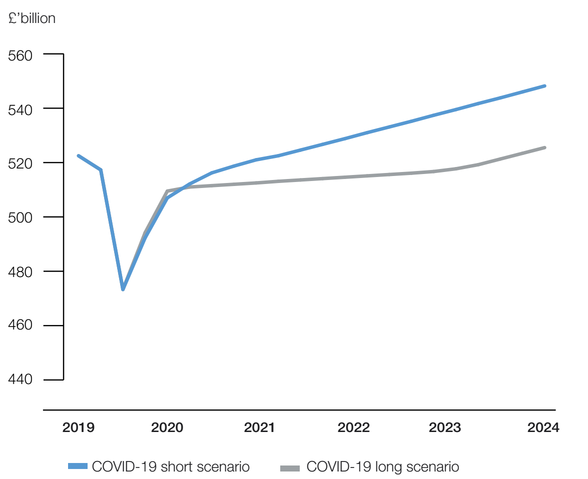


The tables below show the key macro-economic factors used in the COVID-19 scenarios and the relative weightings applied to each scenario which, taking into account government intervention, were used to apply an ECL overlay.

Macro-economic scenarios	**At 31 March 2020 average 2020 – 2025**	
	COVID-19 short scenario %	**COVID-19 long scenario %**
UK		
GDP growth	1.0	0.1
Unemployment rate	6.5	7.9
House price growth	0.5	(1.9)
Bank of England – Bank rate	0.1	0.1
Scenario weightings	**75**	**25**

March 2020 – 2025 Peak to trough %	**COVID-19 short**	**COVID-19 long**
GDP	(9.4)	(9.4)
Residential property prices	(14.6)	(20.0)
Commercial property prices	(21.8)	(32.2)

UK GDP forecast under COVID-19 assumptions



Macro-economic sensitivities (unaudited)

Pre COVID-19 the group's most severe 100% scenario sensitivity was to the downside 1 global scenario, which would have resulted in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately £15 million. Following the consideration of COVID-19 scenarios, an ECL overlay of £19 million was considered appropriate which is more severe than the 100% weighted scenarios in previous economic forecasts.

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 group'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 board 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.

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 74 to 82
- **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 group's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located in the UK, Western Europe, Asia, 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
- **Debt securities:** from time-to-time we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise on the back of client relationships or knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken 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 group seeks to decrease the credit risk associated with an exposure. The Investec group 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 group 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 group 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 group 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 (ISDA) Master Agreements, Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, the credit committee may require a Credit Support Annex (CSA) to ensure that mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by 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 group places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the group 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 group 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 group 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 2020 amounts to £1.5 million, of which all is used for credit mitigation purposes. Total protection bought amounts to £10.9 million and total protection sold amounts to £9.4 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 231.

The group endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the group 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

Net core loan book growth since 31 March 2019 was 12.9% to £11.9 billion at 31 March 2020. Growth in net core loans was driven by the residential owner-occupied mortgage portfolio, as well as diversified growth in other private client and corporate client lending portfolios together with selective lending collateralised by property, with loan to values at conservative levels. Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.34% for 31 March 2020 (31 March 2019: 0.38%), however, after taking into account the impacts from COVID-19 the overall credit loss ratio was 0.69%, largely reflecting a deterioration in macro-economic scenario forecasts modelled by applying a £19 million ECL overlay as well as an amount related to a single name transaction impacted by the COVID-19 pandemic.

Stage 2 exposures totalled £576 million and remained low as a proportion of gross core loans subject to ECL at 5.1% at 31 March 2020, reduced from 5.8% at 31 March 2019. Stage 3 totalled £379 million at 31 March 2020 or 3.3% of gross core loans subject to ECL (31 March 2019: 3.2%). Stage 3 exposures are well covered by ECLs. The percentage of Stage 3 loans (net of ECL but before taking collateral into account) to net core loans and advances subject to ECL amounted to 2.4% (31 March 2019: 2.2%). Stage 3 in the Ongoing book (excluding Legacy) totalled £249 million or 2.2% of gross core loans subject to ECL at 31 March 2020 (31 March 2019: 1.5%) driven by a small number of idiosyncratic movements into Stage 3. These exposures are adequately provisioned.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £23.5 billion at 31 March 2020. Cash and near cash balances amounted to £6.0 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 2020	31 March 2019
Cash and balances at central banks	2 277	4 445
Loans and advances to banks	1 794	1 164
Reverse repurchase agreements and cash collateral on securities borrowed	1 627	633
Sovereign debt securities	1 689	1 299
Bank debt securities	51	52
Other debt securities	649	499
Derivative financial instruments	1 006	570
Securities arising from trading activities	498	530
Loans and advances to customers	12 045	10 663
Other loans and advances	122	178
Other securitised assets	8	8
Other assets	92	46
Total on-balance sheet exposures	**21 858**	**20 087**
Guarantees	77	85
Committed facilities related to loans and advances to customers	1 318	1 484
Contingent liabilities, letters of credit and other	270	413
Total off-balance sheet exposures	**1 665**	**1 982**
Total gross credit and counterparty exposures	**23 523**	**22 069**

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 2020 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	2 277	–	2 277	–	–	2 277
Loans and advances to banks	1 794	–	1 794	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	1 627	84	1 543	–	–	1 627
Sovereign debt securities	1 689	604	1 085	–	–	1 689
Bank debt securities	51	51	–	–	–	51
Other debt securities	649	217	432	(1)	38	686
Derivative financial instruments	1 006	1 006	–	–	245	1 251
Securities arising from trading activities	498	498	–	–	85	583
Investment portfolio	–	–	–	–	635 *	635
Loans and advances to customers	12 045	653	11 392	(175)	–	11 870
Other loans and advances	122	–	122	–	70	192
Other securitised assets	8	8	–	–	98 ^^	106
Interest in associated undertakings and joint venture holdings	–	–	–	–	54	54
Deferred taxation assets	–	–	–	–	131	131
Other assets	92	–	92	–	1 334 **	1 426
Property and equipment	–	–	–	–	217	217
Investment properties	–	–	–	–	–	–
Goodwill	–	–	–	–	261	261
Intangible assets	–	–	–	–	72	72
Total on-balance sheet exposures	**21 858**	**3 121**	**18 737**	**(176)**	**3 240**	**24 922**
Guarantees	77	–	77	–	–	77
Committed facilities related to loans and advances to customers	1 318	48	1 270	(4)	–	1 314
Contingent liabilities, letters of credit and other	270	–	270	–	239	509
Total off-balance sheet exposures	**1 665**	**48**	**1 617**	**(4)**	**239**	**1 900**
Total exposures	**23 523**	**3 169**	**20 354**	**(180)**	**3 479**	**26 822**

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

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

^^ *While the group 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 group. The net credit exposure that the group has in the vehicles is reflected in the 'total credit and counterparty exposure'.*

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

A further analysis of gross credit and counterparty exposure *(continued)*

At 31 March 2019 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	4 445	–	4 445	–	–	4 445
Loans and advances to banks	1 164	–	1 164	–	–	1 164
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	499	275	224	(1)	–	498
Derivative financial instruments	570	570	–	–	56	626
Securities arising from trading activities	530	530	–	–	268	798
Investment portfolio	–	–	–	–	493 *	493
Loans and advances to customers	10 663	772	9 891	(149)	–	10 514
Other loans and advances	178	–	178	–	30	208
Other securitised assets	8	8	–	–	110 ^^	118
Interest in associated undertakings and joint venture holdings	–	–	–	–	53	53
Deferred taxation assets	–	–	–	–	148	148
Other assets	46	–	46	–	983 **	1 029
Property and equipment	–	–	–	–	100	100
Investment properties	–	–	–	–	15	15
Goodwill	–	–	–	–	356	356
Intangible assets	–	–	–	–	85	85
Total on-balance sheet exposures	**20 087**	**2 551**	**17 536**	**(150)**	**2 697**	**22 634**
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	413	–	413	–	31	444
Total off-balance sheet exposures	**1 982**	**43**	**1 939**	**(2)**	**31**	**2 011**
Total exposures	**22 069**	**2 594**	**19 475**	**(152)**	**2 728**	**24 645**

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

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

^^ *While the group 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 group. The net credit exposure that the group has in the vehicles is reflected in the 'total credit and counterparty exposure'.*

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

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2020 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	2 277	–	–	–	–	–	2 277
Loans and advances to banks	1 720	–	54	20	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	1 467	110	–	50	–	–	1 627
Sovereign debt securities	760	80	76	207	77	489	1 689
Bank debt securities	–	–	51	–	–	–	51
Other debt securities	43	1	9	77	112	407	649
Derivative financial instruments	148	134	182	249	214	79	1 006
Securities arising from trading activities	1	–	1	56	73	367	498
Loans and advances to customers	1 119	927	1 243	6 607	1 478	671	12 045
Other loans and advances	30	–	–	–	48	44	122
Other securitised assets	–	–	–	–	–	8	8
Other assets	92	–	–	–	–	–	92
Total on-balance sheet exposures	**7 657**	**1 252**	**1 616**	**7 266**	**2 002**	**2 065**	**21 858**
Guarantees	7	–	6	44	20	–	77
Committed facilities related to loans and advances to customers	35	90	121	815	202	55	1 318
Contingent liabilities, letters of credit and other	30	32	24	138	46	–	270
Total off-balance sheet exposures	**72**	**122**	**151**	**997**	**268**	**55**	**1 665**
Total gross credit and counterparty exposures	**7 729**	**1 374**	**1 767**	**8 263**	**2 270**	**2 120**	**23 523**

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2020 **£'million**	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	2 277	–	–
Loans and advances to banks	–	–	–	–	–	–	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	–	–	–	–	–	–	1 627
Sovereign debt securities	–	–	–	–	1 689	–	–
Bank debt securities	–	–	–	–	–	–	51
Other debt securities	–	–	–	44	7	8	334
Derivative financial instruments	1	6	–	120	2	16	542
Securities arising from trading activities	–	–	–	–	372	–	122
Loans and advances to customers	3 134	2 012	8	453	213	1 121	1 781
Other loans and advances	–	–	–	–	–	–	99
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	92
Total on-balance sheet exposures	**3 135**	**2 018**	**8**	**617**	**4 560**	**1 145**	**6 442**
Guarantees	15	–	–	1	–	–	53
Committed facilities related to loans and advances to customers	112	346	–	190	36	142	253
Contingent liabilities, letters of credit and other	18	–	–	182	–	4	49
Total off-balance sheet exposures	**145**	**346**	**–**	**373**	**36**	**146**	**355**
Total gross credit and counterparty exposures	**3 280**	**2 364**	**8**	**990**	**4 596**	**1 291**	**6 797**

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Com-munication	**Total**
–	–	–	–	–	–	–	–	–	2 277
–	–	–	–	–	–	–	–	–	1 794
–	–	–	–	–	–	–	–	–	1 627
–	–	–	–	–	–	–	–	–	1 689
–	–	–	–	–	–	–	–	–	51
–	–	–	163	–	–	–	85	8	649
23	26	1	–	12	50	–	205	2	1 006
4	–	–	–	–	–	–	–	–	498
320	887	120	–	144	237	192	1 194	229	12 045
–	–	–	23	–	–	–	–	–	122
–	–	–	8	–	–	–	–	–	8
–	–	–	–	–	–	–	–	–	92
347	**913**	**121**	**194**	**156**	**287**	**192**	**1 484**	**239**	**21 858**
1	–	–	–	1	–	–	6	–	77
22	34	6	–	41	94	–	21	21	1 318
6	1	–	–	–	10	–	–	–	270
29	**35**	**6**	**–**	**42**	**104**	**–**	**27**	**21**	**1 665**
376	**948**	**127**	**194**	**198**	**391**	**192**	**1 511**	**260**	**23 523**

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

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	–	–	–	–	–	–	1 164
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	162
Derivative financial instruments	12	1	1	54	8	10	376
Securities arising from trading activities	–	–	–	–	420	–	110
Loans and advances to customers	2 332	1 958	7	414	207	892	1 633
Other loans and advances	–	–	–	–	–	–	103
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	46
Total on-balance sheet exposures	**2 344**	**1 959**	**8**	**497**	**6 386**	**931**	**4 279**
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**	**4 712**

	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
	–	–	–	–	–	–	–	–	–	1 164
	–	–	–	–	–	–	–	–	–	633
	–	–	–	–	–	–	–	–	–	1 299
	–	–	–	–	–	–	–	–	–	52
	–	–	19	167	–	–	–	79	7	499
	18	20	3	–	9	12	1	45	–	570
	–	–	–	–	–	–	–	–	–	530
	350	822	99	–	177	177	242	1 132	221	10 663
	–	–	–	75	–	–	–	–	–	178
	–	–	–	8	–	–	–	–	–	8
	–	–	–	–	–	–	–	–	–	46
	368	**842**	**121**	**250**	**186**	**189**	**243**	**1 256**	**228**	**20 087**
	–	–	–	–	–	–	–	6	–	85
	53	81	–	–	59	121	15	16	18	1 484
	4	46	–	–	–	28	4	–	–	413
	57	**127**	**–**	**–**	**59**	**149**	**19**	**22**	**18**	**1 982**
	425	**969**	**121**	**250**	**245**	**338**	**262**	**1 278**	**246**	**22 069**

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

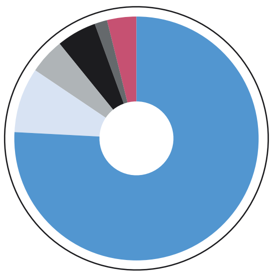
Composition of core loans and advances

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 2020	31 March 2019
Loans and advances to customers per the balance sheet	11 872	10 516
ECL held against FVOCI loans reported on the balance sheet within reserves	(2)	(2)
Net core loans and advances	**11 870**	**10 514**
of which subject to ECL*	11 217	9 742
of which FVPL	653	772
Add: ECL	175	149
Gross core loans and advances	**12 045**	**10 663**
*of which subject to ECL**	11 392	9 891
of which FVPL	653	772

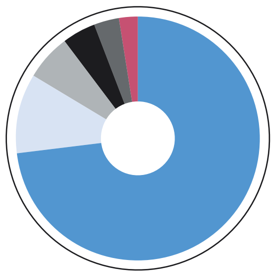
* *Refer to definitions on page 287.*

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



31 MARCH 2020
£12 045 million

76.0%	United Kingdom
8.5%	Europe (excluding UK)
4.8%	North America
5.3%	Australia
1.7%	Asia
3.7%	Other



31 MARCH 2019
£10 663 million

73.1%	United Kingdom
10.6%	Europe (excluding UK)
6.1%	North America
4.6%	Australia
3.1%	Asia
2.5%	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 £131 million at 31 March 2019 to £111 million at 31 March 2020. 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 2020	31 March 2019
Gross core loans and advances subject to ECL	**11 392**	**9 891**
Stage 1	10 437	8 996
Stage 2	576	576
of which past due greater than 30 days	*31*	*13*
Stage 3	379	319
*of which Ongoing (excluding Legacy) Stage 3**	*249*	*149*
Gross core loans and advances subject to ECL (%)		
Stage 1	91.6%	91.0%
Stage 2	5.1%	5.8%
Stage 3	3.3%	3.2%
*of which Ongoing (excluding Legacy) Stage 3**	*2.2%*	*1.5%*

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

£'million	31 March 2020	31 March 2019
ECL impairment charges on core loans and advances	(74)	(35)
Average gross core loans and advances subject to ECL	10 642	9 396
Credit loss ratio	**0.69%**	**0.38%**

£'million	31 March 2020	31 March 2019
ECL	**(175)**	**(149)**
Stage 1	(37)	(14)
Stage 2	(31)	(27)
Stage 3	(107)	(108)
*of which Ongoing (excluding Legacy) Stage 3**	*(62)*	*(35)*
ECL coverage ratio (%)		
Stage 1	0.4%	0.2%
Stage 2	5.4%	4.7%
Stage 3	28.2%	33.9%
*of which Ongoing (excluding Legacy) Stage 3**	*24.9%*	*23.5%*

* *Refer to definitions on page 287.*

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

£'million	31 March 2020	31 March 2019
Stage 3 net of ECL	272	211
*of which Ongoing (excluding Legacy) Stage 3**	*187*	*114*
Aggregate collateral and other credit enhancements on Stage 3	274	228
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.3%	3.2%
*of which Ongoing (excluding Legacy) Stage 3**	*2.2%*	*1.5%*
Total ECL as a % of Stage 3 exposure	46.2%	46.7%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%
*of which Ongoing (excluding Legacy) Stage 3**	*1.7%*	*1.2%*

* *Refer to definitions on page 287.*

Stage 1: 91.6% 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 0.4%.

Stage 2: 5.1% of gross exposure is in Stage 2. These assets require a lifetime expected loss to be held. Only £31 million or 0.3% of gross core loans and advances subject to ECL are shown in Stage 2 as greater than 30 days past due. £129 million or 22.3% of Stage 2 assets have been categorised as such due to a significant model driven increase in credit risk since origination. 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: 3.3% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. This has increased slightly from 3.2% at 31 March 2019. Coverage ratio totals 28.2% and the remaining net exposure is considered well covered by collateral. The legacy portfolio is predominantly reported in Stage 3 and makes up 34.3% of Stage 3 gross loans. These assets have been significantly provided for and coverage for these assets remains high at 34.6%. Excluding Legacy, Ongoing Stage 3 exposure totals £249 million or 2.2% of gross core loans and advances subject to ECL.

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 31 March 2019 to 31 March 2020. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. There have been greater movements into Stage 2 and Stage 3 than in the previous year, in part due to small ticket asset finance, however this has been offset by a significant amount of repayments in these stages. 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 group's COVID-19 ECL overlay of £19 million as well as updated macro-economic scenarios and relative weightings prior to the COVID-19 pandemic. 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, 31 March 2019. Further analysis as at 31 March 2020 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	**7 743**	**(15)**	**594**	**(41)**	**564**	**(192)**	**8 901**	**(248)**
Transfer from Stage 1	(210)	1	184	(1)	26	–	–	–
Transfer from Stage 2	126	(2)	(179)	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)	1 281	(6)	(42)	2	(303)	96	936	92
Changes to risk parameters and models	–	7	–	9	–	5	–	21
Foreign exchange and other	47	–	5	–	2	(1)	54	(1)
At 31 March 2019	**8 996**	**(14)**	**576**	**(27)**	**319**	**(108)**	**9 891**	**(149)**
Transfer from Stage 1	(298)	1	254	(1)	44	–	–	–
Transfer from Stage 2	69	(1)	(140)	2	71	(1)	–	–
Transfer from Stage 3	1	–	1	–	(2)	–	–	–
ECL remeasurement arising from transfer of stage	–	1	–	(2)	–	(14)	–	(15)
New lending net of repayments (includes assets written off)	1 639	(7)	(118)	2	(53)	18	1 468	13
Changes to risk parameters and models	–	(17)	–	(5)	–	(1)	–	(23)
Foreign exchange and other	30	–	3	–	–	(1)	33	(1)
At 31 March 2020	**10 437**	**(37)**	**576**	**(31)**	**379**	**(107)**	**11 392**	**(175)**

An analysis of credit quality by internal rating grade

The group 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 group 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 2020 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 2020 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**5 788**	**5 054**	**171**	**379**	**11 392**
Stage 1	5 718	4 627	92	–	10 437
Stage 2	70	427	79	–	576
Stage 3	–	–	–	379	379
ECL	**(5)**	**(51)**	**(12)**	**(107)**	**(175)**
Stage 1	(4)	(32)	(1)	–	(37)
Stage 2	(1)	(19)	(11)	–	(31)
Stage 3	–	–	–	(107)	(107)
Coverage ratio	**0.1%**	**1.0%**	**7.0%**	**28.2%**	**1.5%**

At 31 March 2019 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**4 719**	**4 655**	**198**	**319**	**9 891**
Stage 1	4 667	4 211	118	–	8 996
Stage 2	52	444	80	–	576
Stage 3	–	–	–	319	319
ECL	**(3)**	**(33)**	**(5)**	**(108)**	**(149)**
Stage 1	(2)	(12)	–	–	(14)
Stage 2	(1)	(21)	(5)	–	(27)
Stage 3	–	–	–	(108)	(108)
Coverage ratio	**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 continued to reduce as a proportion of our net core loan exposures and totalled £2.0 billion or 16.4% at 31 March 2020. 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. The portfolio is well positioned to withstand COVID-19 with diverse underlying assets, limited direct exposure to retail and hotel leisure properties and experienced sponsors behind the exposure. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

	Gross core loans 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 2020										
Commercial real estate	**983**	**(1)**	**105**	**(12)**	**125**	**(12)**	**1 213**	**(25)**	**42**	**1 255**
Commercial real estate – investment	803	(1)	99	(11)	122	(12)	1 024	(24)	38	1 062
Commercial real estate – development	180	–	–	–	3	–	183	–	4	187
Commercial vacant land and planning	–	–	6	(1)	–	–	6	(1)	–	6
Residential real estate	**607**	**–**	**12**	**–**	**108**	**(39)**	**727**	**(39)**	**30**	**757**
Residential real estate – investment	253	–	8	–	36	(12)	297	(12)	28	325
Residential real estate – development	354	–	3	–	38	(8)	395	(8)	–	395
Residential vacant land and planning	–	–	1	–	34	(19)	35	(19)	2	37
Total lending collateralised by property	**1 590**	**(1)**	**117**	**(12)**	**233**	**(51)**	**1 940**	**(64)**	**72**	**2 012**
Coverage ratio	**0.06%**		**10.26%**		**21.89%**		**3.30%**			
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**
Coverage ratio	**0.07%**		**6.40%**		**32.89%**		**4.56%**			

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 deliver solutions to enable target clients to create and manage their wealth. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, 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 34.4% year on year, driven by strong targeted growth in mortgages for the group's high net worth target market clients, as we further leverage our UK private banking platform and franchise. Growth in this area has been achieved with strong adherence to our conservative lending appetite, which is expected to provide adequate protection through weakened economic environment as a result of the COVID-19 pandemic.

	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 2020										
Mortgages	2 438	(2)	19	–	28	(1)	2 485	(3)	–	2 485
High net worth and specialised lending	620	–	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio	**0.07%**		**3.33%**		**12.50%**		**0.22%**			
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**
Coverage ratio	**–**		**5.56%**		**13.79%**		**0.26%**			

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

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

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

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

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap, as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is the UK, Western Europe, North America and Australia where the group can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to fund vehicles which are secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with 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 (including motor vehicles) 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
- **Power and infrastructure:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor
- **Resource finance:** arranges debt and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in the UK, Canada or Australia. All facilities are secured by the borrower's assets and repaid from mining cash flows.

Year in review

In the UK, corporate and other lending increased by 7.6% from £6.3 billion at 31 March 2019 to £6.8 billion at 31 March 2020. 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.

As a result of the COVID-19 pandemic, we continue to monitor developments closely, in particular in the sub-sectors most affected to date which includes the aviation portfolio due to the temporary shutdown of this industry and small ticket asset finance due to the nature of the underlying borrower.

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

Small ticket asset finance borrowers are predominantly in the UK SME market and as a result have been affected by COVID-19, however, this business (average ticket size of £10 000 – £25 000) covers a broad range of sectors and actively seeks to avoid concentration to any particular industry. In addition, there are diversified underlying assets including office equipment, business critical hardware and software, mechanised materials handling as well as motor vehicles/light commercial vehicles with a focus on hard assets. The government schemes announced are expected to directly support the clients within this business as well as in other areas of corporate and other lending.

An analysis of core loans and advances by risk category – 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 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	405	(2)	36	(1)	–	–	441	(3)	20	461
Fund finance	1 293	(2)	–	–	–	–	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	–	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 578	(11)	143	(7)	28	(15)	1 749	(33)	–	1 749
Large ticket asset finance	25	–	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	–	77	(3)	8	–	424	(3)	80	504
Resource finance	51	–	–	–	–	–	51	–	–	51
Total corporate and other lending	**5 789**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 332**	**(104)**	**567**	**6 899**
Coverage ratio	**0.59%**		**4.20%**		**45.61%**		**1.64%**			
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	341	–	53	(1)	–	–	394	(1)	–	394
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
Power and infrastructure finance	404	–	55	(3)	6	(1)	465	(4)	37	502
Resource finance	13	–	–	–	–	–	13	–	12	25
Total corporate and other lending	**5 237**	**(13)**	**368**	**(14)**	**62**	**(29)**	**5 667**	**(56)**	**706**	**6 373**
Coverage ratio	**0.25%**		**3.80%**		**46.77%**		**0.99%**			

Investment risk in the banking book

Investment risk description

Investment risk in the banking book comprised 2.7% of total assets at 31 March 2020 and arises primarily from the following activities conducted within the group:

- **Principal investments:** Principal Investments focusses on providing capital to entrepreneurs and management teams to further their growth ambitions and leveraging third party capital into funds that are relevant to our client base. This is achieved through working together with our franchise businesses. Investments are selected based on:
  - The track record of management;
  - Attractiveness of the industry and the positioning therein;
  - Valuation/pricing fundamentals;
  - Environmental and sustainability analyses;
  - Exit possibilities and timing thereof; and
  - The ability to build value by implementing an agreed strategy.

  Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments
- **Lending transactions:** The manner in which certain transactions are structured results in equity, warrants or profit shares being held, predominantly within unlisted companies
- **Property activities:** We undertake development, investment and trading opportunities in support of clients to create value within agreed risk parameters
- **Ninety One:** Investec has a 16.0% shareholding in Ninety One (previously known as Investec Asset Management). As a founding shareholder of Ninety One, the boards of both Investec and Ninety One believe that it is appropriate for the Investec to retain a modest shareholding in Ninety One. Investec believes Ninety One is an attractive business with meaningful intrinsic value. Retaining an equity stake allows Investec to participate in future value creation by Ninety One. For more detail refer to pages 7 and 8.

Management of investment risk

As investment risk arises from a variety of activities conducted by the group, the monitoring and measurement thereof varies across transactions and/or type of activity. Independent investment committees exist in the UK which provide oversight to the 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 and DLC BRCC. An assessment of exposures against limits and targets as well as stress testing scenario analyses are performed and reported to IBP and DLC BRCC. As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 187 to 192 and pages 214 to 222 for factors taken into consideration in determining fair value.

Summary of investments held and stress testing analyses

An analysis of income and revaluations of these investments can be found in the investment income note on page 198. In addition, revaluations of certain assets reported below relating to the Hong Kong direct investments business can be found on page 275. The balance sheet value of investments is indicated in the table below.

£'million Category	**On-balance sheet value of investments 31 March 2020**	**Valuation change stress test 31 March 2020***	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments	348	52	472	71
Listed equities	28	7	21	5
Ninety One^	259	n/a	–	–
Total investment portfolio	**635**	**59**	**493**	**76**
Investment and trading properties	36	7	70	13
Warrants and profit shares	2	1	19	6
Total	**673**	**67**	**582**	**95**

^ *The investment in Ninety One is reflected as part of the Investment portfolio. Investec plc has a 16.0% shareholding in Ninety One (previously known as Investec Asset Management). As a founding shareholder of Ninety One, the boards of both the Investec group and Ninety One believe that it is appropriate for the Investec group to retain a modest shareholding in Ninety One post the demerger of Investec Asset Management. Investec believes Ninety One is an attractive business with meaningful intrinsic value. Retaining an equity stake allows the Investec group to participate in future value creation by Ninety One.*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied:*

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

Stress testing summary

Based on the information at 31 March 2020, as reflected above, we could have a £67 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the 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 low, although the probability of listed equities being negatively impacted at the same time is high.

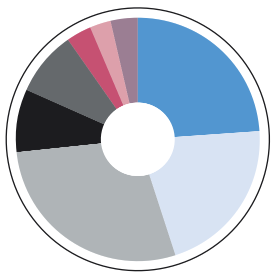
To date our experience through the COVID-19 pandemic has been that certain exposures have been negatively impacted for idiosyncratic reasons, albeit the small listed equities book at 31 March 2020 was impacted substantially due to the significant global share price falls during March 2020. Stress testing is not considered to be relevant for Ninety One given the strategic nature of the investments and the limited impact share price movements would have on the group's capital given the regulatory capital treatment applied.

Capital requirements

In terms of CRD IV capital requirements for the group, 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 110 for further detail.

An analysis of the investment portfolio (excluding Ninety One), warrants and profit shares



31 MARCH 2020
£378 million

24.0%	Real estate
21.1%	Manufacturing and commerce
28.3%	Finance and insurance
8.5%	Communication
8.4%	Retailer and wholesalers
3.4%	Transport
2.7%	Other
3.6%	Business services

Securitisation/structured credit activities exposures

Overview

Securitisation transactions provide the group with a cost effective, alternative source of financing.

The group'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 group's credit and counterparty exposure information.

For regulatory purposes, the securitisation definition focuses on positions we hold in an investor capacity and also includes securitisation positions we have retained in transactions in which the group has achieved significant risk transfer.

The new securitisation framework was adopted in the EU in December 2017 and applied from 1 January 2019. Assets securitised prior to 1 January 2019 remained subject to the original standards until the end of December 2019. From 1 January 2020 the group has been applying the new securitisation framework to all securitisation positions.

During the year we did not undertake any new securitisation transactions. We hold rated structured credit instruments. These exposures are UK and US exposures and amounted to £522 million at 31 March 2020 (31 March 2019: £462 million) with 98.7% being AA and AAA rated and 1.1% being A rated.

Accounting policies

Refer to page 189.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with approval required from Credit. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the group principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group'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 group prefers to address and manage these risks by only approving exposures to which the group 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 2020 £'million**	Exposure 31 March 2019 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	528	469	Other debt securities and other loans and advances
Rated	522	462	
Unrated	6	7	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US corporate loans	278	56	–	–	–	–	334	–	334
UK RMBS	97	84	6	1	–	–	188	6	194
Total at 31 March 2020	**375**	**140**	**6**	**1**	**–**	**–**	**522**	**6**	**528**
Total at 31 March 2019	**192**	**224**	**44**	**–**	**2**	**–**	**462**	**7**	**469**

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

Traded market risk 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 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. The Market Risk Forum, mandated by the IBP BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum, IBP ERC in accordance with the risk appetite defined by the board. Any significant changes in risk limits would then be taken to GRRRMF 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 IBP Review ERRF weekly as well as IBP BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control

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

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

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

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 method 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 2020				31 March 2019			
95% one-day VaR £'000	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Equities	1 549	571	1 549	286	415	490	748	327
Foreign exchange	33	11	68	1	20	13	117	1
Interest rates	82	107	132	67	133	94	156	70
Credit	438	32	509	1	1	55	123	1
Consolidated*	**1 478**	**574**	**1 478**	**301**	**417**	**484**	**739**	**350**

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

Expected shortfall

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

95% one-day ES £'000	**31 March 2020 Year end**	31 March 2019 Year end
Equities	1 966	638
Foreign exchange	47	29
Interest rates	107	179
Credit	723	1
Consolidated*	**1 837**	**618**

* *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 2020 Year end**	31 March 2019 Year end
99% one-day sVaR	**2 878**	**2 594**

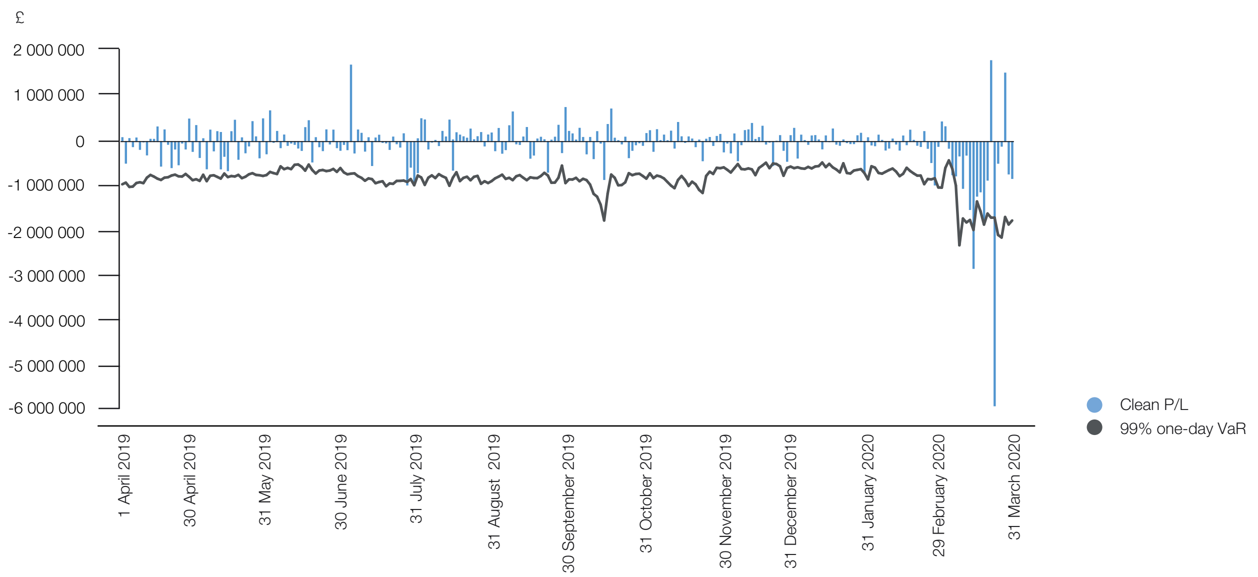
Backtesting

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 31 March 2020 was higher than the previous year. Using clean profit and loss data for backtesting resulted in seven 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 attributable to the severe stress experienced in the markets due to the COVID-19 pandemic during February and March 2020, which resulted in lack of liquidity and pricing dislocations particularly in equity derivative markets.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise in the 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% one-day VaR. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

99% EVT £'000	**31 March 2020 Year end**	31 March 2019 Year end
Equities	3 433	1 114
Foreign exchange	133	77
Interest rates	201	339
Credit	2 359	3
Consolidated*	**3 235**	**1 190**

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

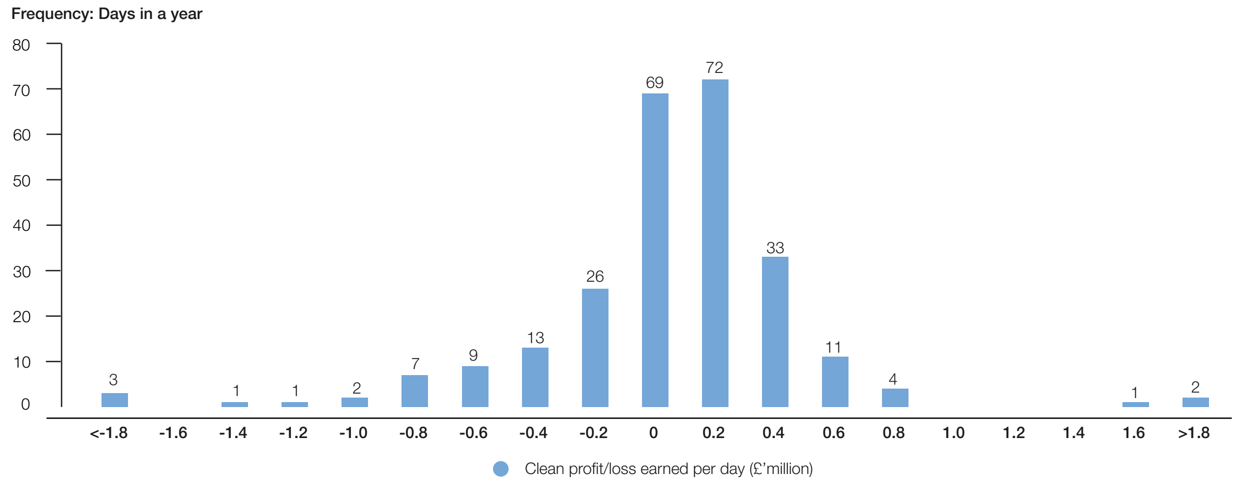
Capital

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 clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 123 days out of a total of 254 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2020 was -£75 809 (31 March 2019: £25 196).

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



Traded market risk year in review

Globally, the onset of the COVID-19 pandemic triggered extreme market moves, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses. Trading revenue was adversely affected by the losses arising from the hedging of structured products due to extraordinary market dislocation, increased hedging costs and dividend cancellation. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity. The elevated levels of market risk exposure at year end reflect the increased market volatility experienced during the last few weeks of the year following the fastest decline in equity markets on record. Utilisation of risk limits have remained moderate and the desks have remained prudent during the year with no risk appetite breaches observed.

Market risk – derivatives

The group 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 page 231.

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

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

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

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

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

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

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

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

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

Daily, weekly and monthly reports are independently produced highlighting group activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, IBP Review ERRF, IBP ERC, IBP BRCC, DLC 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 group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- Market liquidity: this relates to the risk that the group may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

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 group 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 BCBS guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA, APRA, 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 balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The group maintains 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 group's cash position turns negative under an internally defined worst-case liquidity stress;
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR); and
  - Net Stable Funding Ratio (NSFR)
- 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 group's balance sheet;
- 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 the group's balance sheet so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which tests 'tail risks' that can be missed in normal stress tests. The group has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the group'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 group's liquidity position.

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

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of 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 group 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 group'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 group'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.

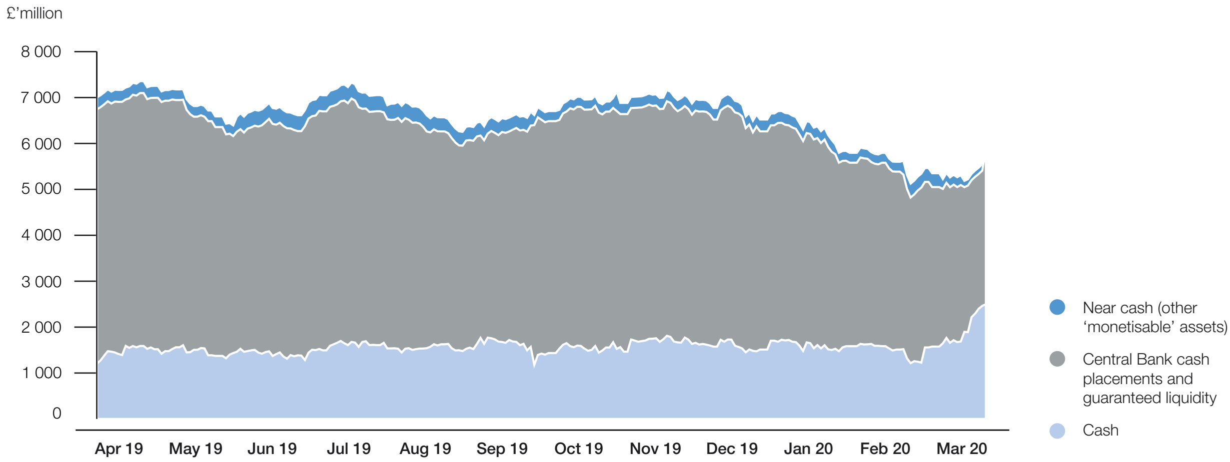
We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer

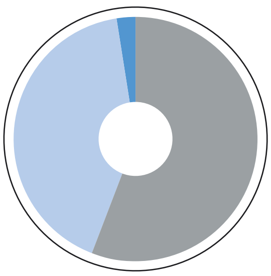
To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection 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 group 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 2019 to 31 March 2020 average cash and near cash balances over the period amounted to £6.5 billion. Average cash balances were significantly surplus to usual levels, largely driven by prefunding ahead of the closure of our Irish deposit raising business as a result of Brexit, as well as the decision to hold higher levels of group cash balances due to the onset of the COVID-19 pandemic.

Cash and near cash trend



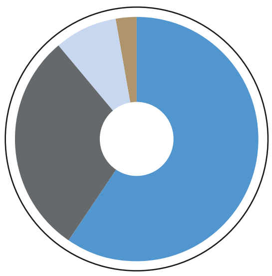
An analysis of cash and near cash at 31 March 2020



£6 040 million

56.1%	Central Bank cash placements and guaranteed liquidity
41.4%	Cash
2.5%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2020



£16 699 million

59.5%	Individuals
29.4%	Other financial institutions and corporates
8.5%	Banks
2.6%	Small business

The liquidity position of the group remained sound with total cash and near cash balances amounting to £6.0 billion at year end.

Contingency planning

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

The plan has been tested via an externally facilitated liquidity crisis simulation exercise which assessed its suitability and ability to adequately contain a liquidity stress.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group 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 group 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 group which are eligible for the BoE's Single Collateral Pool to support central bank liquidity facilities.

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

On page 228 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 tables that follow shows the group's contractual and behavioural mismatch.

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

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

- *Liquidity buffer:* the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the group would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but 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 2020

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	3 606	222	156	1	66	20	–	4 071
Investment/trading assets	1 030	1 123	376	245	231	1 216	2 356	6 577
Securitised assets	–	3	–	1	–	13	89	106
Advances	142	452	612	777	1 193	6 624	2 264	12 064
Other assets	150	848	46	13	92	207	751	2 107
Assets	**4 928**	**2 648**	**1 190**	**1 037**	**1 582**	**8 080**	**5 460**	**24 925**
Deposits – banks	(90)	–	(10)	–	(77)	(1 242)	–	(1 419)
Deposits – non-banks	(4 661)	(471)	(3 252)	(2 971)	(1 303)	(2 082)	(540)	(15 280)
Negotiable paper	(2)	–	(23)	(4)	(31)	(1 098)	(310)	(1 468)
Securitised liabilities	–	–	(3)	(3)	(5)	(34)	(66)	(111)
Investment/trading liabilities	(276)	(76)	(360)	(70)	(121)	(385)	(473)	(1 761)
Subordinated liabilities	–	–	–	–	–	(343)	(444)	(787)
Other liabilities	(88)	(894)	(116)	(32)	(171)	(260)	(149)	(1 710)
Liabilities	**(5 117)**	**(1 441)**	**(3 764)**	**(3 080)**	**(1 708)**	**(5 444)**	**(1 982)**	**(22 536)**
Total equity	–	–	–	–	–	–	(2 389)	(2 389)
Contractual liquidity gap	**(189)**	**1 207**	**(2 574)**	**(2 043)**	**(126)**	**2 636**	**1 089**	**–**
Cumulative liquidity gap	(189)	1 018	(1 556)	(3 599)	(3 725)	(1 089)	–	

Behavioural liquidity at 31 March 2020

As discussed on page 93.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**3 791**	**745**	**(1 831)**	**(1 267)**	**(203)**	**(2 024)**	**789**	**–**
Cumulative	3 791	4 536	2 705	1 438	1 235	(789)	–	

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 group 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 group 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 group 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 impact on future net interest earnings and the economic value of equity.

Measurement and management of non-trading interest rate risk

Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of non-trading banking products and services. The group 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 group's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

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

- Interest rate expectations and perceived risks to the central view;
- Standard shocks to levels and shapes of interest rates and yield curves; and
- 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 appetite, which is clearly defined in relation to both income risk and economic value risk. The group 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 book's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

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

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 31 March 2020. 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	4 071	–	–	–	–	–	4 071
Investment/trading assets	4 608	132	85	205	15	356	5 401
Securitised assets	106	–	–	–	–	–	106
Advances	8 247	696	530	2 330	261	–	12 064
Other assets	–	–	–	–	–	1 508	1 508
Assets	**17 032**	**828**	**615**	**2 535**	**276**	**1 864**	**23 150**
Deposits – banks	(1 070)	–	–	–	–	–	(1 070)
Deposits – non-banks	(12 397)	(612)	(1 220)	(1 034)	(17)	–	(15 280)
Negotiable paper	(1 068)	–	–	(400)	–	–	(1 468)
Securitised liabilities	(111)	–	–	–	–	–	(111)
Investment/trading liabilities	(349)	–	–	–	–	–	(349)
Subordinated liabilities	(59)	–	–	(728)	–	–	(787)
Other liabilities	–	–	–	–	–	(1 696)	(1 696)
Liabilities	**(15 054)**	**(612)**	**(1 220)**	**(2 162)**	**(17)**	**(1 696)**	**(20 761)**
Total equity	–	–	–	–	–	(2 389)	(2 389)
Balance sheet	**1 978**	**216**	**(605)**	**373**	**259**	**(2 221)**	**–**
Off-balance sheet	673	197	(34)	(696)	(140)	–	–
Repricing gap	**2 651**	**413**	**(639)**	**(323)**	**119**	**(2 221)**	**–**
Cumulative repricing gap	2 651	3 064	2 425	2 102	2 221	–	

Economic value sensitivity at 31 March 2020

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. 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	(16.9)	12.8	1.4	0.1	(0.5)	0.6	**(5.5)**
200bps up	19.2	(14.6)	(1.6)	(0.1)	0.6	(0.7)	**6.3**

Regulatory requirements

Liquidity Risk

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

Two minimum standards for funding liquidity were introduced:

- The 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 NSFR is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

Banks are required to maintain a minimum LCR ratio of 100%. The LCR is calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations. As at 31 March 2020 the LCR reported to the PRA was 396% for Investec plc and was 411% for IBP (solo basis).

In June 2019, the CRRII/CRDV package was published in the EU Official Journal, including finalised rules for the calculation of the NSFR. This will become a binding metric in June 2021, at which point banks will be required to maintain a minimum NSFR of 100%. The internally calculated NSFR for Investec plc and IBP (solo basis) are based upon these rules, but are subject to change in response to any further clarifications or guidelines. The NSFR at 31 March 2020 was 122% for Investec plc and 120% for IBP (solo basis).

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

Non-trading interest rate risk

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

Within the UK, BCBS standards are implemented via the EBA and PRA. The regulatory framework requires banks to assess their Pillar II requirements, including those related to non-trading interest rate risk, as part of their ICAAP. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards. In June 2019, the CRRII/CRDV package was published in the EU Official Journal, including mandatory disclosure requirements for non-trading interest rate risk. This will become a requirement from June 2021.

Balance sheet risk year in review

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

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

Prior to the COVID-19 pandemic, overall liability growth had been managed in line to support asset growth whilst also seeking to better optimise the balance sheet position, which has resulted in a reduction of cash and near cash balances. The primary growth in the year has been in deposits across a diverse retail and non-retail client base.

The group's activity in the wholesale markets over the financial year has been limited but we continue to look to opportunities to raise low cost, currency funding where appropriate and refinance any maturing funds ahead of contractual requirements. We have limited reliance on the wholesale funding, therefore have not been materially affected by the COVID-19 impacts on this market.

This overall approach has still enabled the group to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management and despite the considerable uncertainty to the UK and global economy as a result of the COVID-19 global pandemic.

Cash and near cash balances at 31 March 2020 amounted to £6.0 billion (31 March 2019: £7.0 billion). Total UK and Other customer deposits was £15.3 billion at 31 March 2020 (31 March 2019: £13.2 billion).

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 global pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the group's strategy and to insulate the group from further ongoing market uncertainty. We expect to participate in the BoE TFSME.

IBP's ratings are in line with the prior year. IBP's long-term Moody's Deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative. Fitch took a number of negative rating actions on 18 UK banking groups in April 2020 to reflect the heightened risk from the global COVID-19 pandemic. IBP's outlook was changed from Stable to Rating Watch Negative but the rating was maintained at BBB+. At 31 March 2019, IBP had been on Rating Watch Negative by Fitch along with a number of other UK banks due to Brexit uncertainty.

The demerger with Investec Asset Management in March 2020 did not have a discernible impact on the group's liquidity position or ability to fund.

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 group 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 the risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the group is willing to accept.

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

Management and measurement of operational risk

Regulatory capital

The group applies the standardised approach 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.

The group 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 group, 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 group's approach to managing operational risk operates in terms of a levels of defence model which reinforces accountability by allocating roles and responsibilities.

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 group'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 group'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	Indicators are used to monitor risk exposures against identified thresholds. The output provides predictive capability in assessing the risk profile of the business	Extreme, unexpected, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The results of this evaluation provide input to determine internal operational risk capital requirements

Operational risk year in review

The group 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.

In response to the global COVID-19 pandemic, the group has implemented all official and medical guidance as advised by the authorities. Our priority is the safety of our staff whilst remaining fully operational in supporting a business-as-usual environment and in servicing our client base while maintaining robust processes and controls. To this end all staff, including core operational and non-critical teams, have working-from-home capability. Where critical staff or teams are required in the office, this is managed on a case-by-case basis. As part of the switch to remote working caused by the COVID-19 pandemic, the group upgraded and improved the robustness of its technology infrastructure through increased capacity and security measures so as to facilitate a safe and durable global working environment.

Operational risk events

The group manages all risk events within the agreed operational risk appetite. The majority of internal risks events for the year under review were categorised as execution and process failures and external fraud. Root cause analyses are performed on risk events to understand the weaknesses in the control environment and to determine the mitigating actions needed to prevent the failure from reoccurring.

Looking forward

Key operational risk considerations for the year ahead:

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Anti-money laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Implementation and continuous enhancement of AML and combating the financing of terrorism (CFT), sanctions, anti-bribery and corruption (ABC) policies and sanctions control systems across the group • Increased sophistication of risk management methodology with the aim to allow more efficient allocation of resources toward higher risk areas • Continuous enhancement and automation of transaction monitoring capabilities, increasing detection of AML related activities • Increasing the role of the UK bank in oversight of financial crime risks across the group and its branches to include increased monitoring and assimilation of local and international legislative and best practice developments • AML knowledge is a key component of the control environment. The knowledge is supported by mandatory training for all staff and specialist training for AML roles • Industry participation to manage legislative requirements through engagement with regulators
Conduct	
Risk associated with inappropriate behaviour or business activities may lead to either a client, counterparty or market detriment and/or reputational and/or financial damage to the group	• Strong organisational culture of entrenched values, which form the cornerstone of Investec's behaviour towards our stakeholders, including clients • Appropriate controls and processes that deliver fair customer outcomes are in place • Monitoring of the group's delivery of fair customer outcomes through conduct governance structures • Surveillance arrangements are in place across all trading activity and related communications • Continued cooperation with regulatory authorities and other stakeholders which include industry bodies on conduct risk issues • Promoting awareness of conduct related matters across the group through appropriate employee training and communication to drive responsible behaviour
Cyber security	
Risk associated with cyber attacks which can result in data compromise, interruption to business processes or client services, financial losses, or reputational harm	• Maintaining of a risk-based strategy integrating prediction, prevention, detection and response capabilities • Enhancement of the security architecture using advanced technology, research and threat intelligence, to protect against evolving threats and sophisticated attacks • Improving cyber resilience through ongoing coordination across cyber, incident response, business continuity and crisis management processes • Stress-testing of cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent specialists • Embedding secure software development and testing practices to ensure IT systems are secure by design • Provision of ongoing security training to staff to ensure high levels of awareness and vigilance

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Data management	
Risk associated with poor governance in acquiring, processing, storing, and protecting data	• Establishing consistent mechanisms for unified data consolidation, storage and reporting • Automating data flows and streamline integration between systems to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure • Monitoring, reporting on, and enhancing data quality and aggregation, in line with business needs and regulatory principles • Obtaining predictive intelligence through data analytics to support proactive risk management • Maintaining data retention and destruction processes to meet business needs and comply with applicable legal obligations
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhancing the group's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintaining an independent integrity (whistleblowing) line to ensure staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Conducting fraud risk assessments to proactively identify and map existing preventative and detective controls to the relevant fraud risks, and evaluate whether the identified controls are operating effectively • Increasing fraud detection and prevention controls in response to the continued upward trend in operational losses due to fraud attempts • Maintaining collaboration with other financial institutions in fraud prevention to recover funds that have been paid away • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continuing to create awareness by focusing on training staff, educating clients and intermediaries on fraud prevention and detection • Participating in industry working groups to gain an understanding of current trends in order to enhance the control environment
Information security	
Risk associated with the unauthorised access, use, disclosure, modification or destruction of data, which can impact their confidentiality, integrity, or availability	• Identifying and classifying high-value information assets based on confidentiality and business criticality • Implementing intelligent data loss prevention controls to protect information against unauthorised access or disclosure • Managing role-based access to systems and data and controlled privileged IT access, supported by risk-based access and activity monitoring • Protecting internal and external information flows to ensure data completeness and integrity • Maintaining safeguards to protect confidential physical documents and facilitate secure destruction • Continually improving data breach monitoring and response in line with relevant privacy laws
Operational resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintaining business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establishing 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 • Conducting validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhancing the group's global resilience capability through a team of dedicated resources and robust governance processes • Participating in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to identify and implement adequate and effective controls including the management of change • Addressing human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Compliance and Legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Aligning and effecting regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures (e.g. transitioning from IBOR to Risk-Free Rates) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensuring that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk
Technology	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Implementing strategic road maps that leverage new technologies to enhance capacity, scalability, security, resilience and robustness and reduce reliance on legacy IT systems • Future-proofing IT development and implementation in support of innovation and delivery at pace • Driving automation to reduce human error whilst enhancing efficiency • Continuing to align IT architecture and standards across the group, to reduce technical complexity and leverage common functions and services • Enhancing proactive monitoring of the IT environment, for continual visibility of health and performance • Maintaining and testing IT resilience capabilities to withstand failure and minimise service disruption
Third party	
Risk associated with the reliance on, and use of a service provider to provide services to the group	• Appropriate due diligence in place to appropriately assess and approve third party arrangements (including intra-group outsourcing) • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of third party service providers • Continuing to strengthen governance processes and relevant policies relating to how to identify, assess, mitigate and manage risks across the range of third party service providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party

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

Insurance

The group 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

Recovery Planning

The purpose of the recovery plan is to document how the Investec plc board and senior management plan for Investec plc, with a focus on IBP, to 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, IBP. The focus of the plan is the recovery of IBP and the protection of its depositors and other clients.

The plan is reviewed and approved by the Investec plc board on an annual basis.

The recovery plan outlines a diverse and credible range of recovery options available to the Investec plc board and/or the IBP board in order to address a severe stress scenario impact which can be caused by either idiosyncratic problems, a larger financial system failure or a combination of the two.

The recovery plan:

- Identifies the recovery trigger levels and early warning indicators;
- Presents a valuable mix of recovery options across execution time-line horizons, including the updated asset portfolio and business unit disposal valuations under stress;
- Sets out the range of impacts each recovery option will have on capital, liquidity and leverage;
- Includes potential recovery actions available to the Investec plc board and management to respond to the situation, including immediate, intermediate and strategic actions; and
- Includes the Contingency Funding Plan (CFP).

Resolution Planning

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. This is achieved through the use of various resolution tools, including the transfer 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 latter resolution tool (bail-in) will affect the rights of unsecured creditors subject to any bail-in in the event of a resolution of a failing bank. Thus, to facilitate its exercise, the BRRD requires competent authorities to impose a MREL on financial institutions.

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

The BoE, the UK resolution authority, confirmed in January 2020 the preferred resolution strategy for IBP remains Modified Insolvency and the MREL requirement is set as equal to IBP's Total Capital Requirement (Pillar I plus Pillar IIA).

Due to COVID-19 the PRA have asked firms to focus recovery planning work on understanding which recovery options would be appropriate and available in the current stress and to understand their financial and non-financial impacts. This analysis will be shared with the PRA through normal supervisory dialogue. Although Investec plc will not be required to submit the full recovery plan to the PRA this year, the recovery plan and resolution pack will still be subject to the required annual update and review to ensure any material changes to legal, organisation structure, business or financial positon have been made and considered.

Reputational and strategic risk

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

The group 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 group 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 group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices. As one of our core values and philosophies we demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Strategic and reputational risk is mitigated as much as possible through these detailed processes and governance/escalation procedures from business units to the 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 board.

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where the Investec group is required to fund any deficit in the schemes. Pension risk arises 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.

As at 31 March 2019 there was one remaining defined benefit scheme within the group relating to Investec Asset Management, which was closed to new business. However, as part of the demerger of the Asset Management business, Investec no longer has ongoing liabilities or commitments with regard to this scheme and so as at 31 March 2020 has no exposure to defined benefit pension schemes.

Further information is provided on pages 244 to 246.

Legal risk

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 group. 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 the group's conduct risk. By conduct risk we mean the risk that inappropriate behaviours or business activities may lead to client counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, or reputational and/or financial damage to the group.

The FCA expects all institutions to have a robust conduct risk management framework in place to facilitate a culture that delivers good outcomes for clients, counterparties and the markets and holds their staff and senior management to appropriate standards of competence, integrity and ethical behaviour.

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

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

It expects institutions to foster a culture which supports the spirit of regulation in preventing harm to clients, counterparties and markets and where senior management and staff are held accountable for their personal conduct.

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

Climate risk and opportunities

Our position on climate change

We recognise the complexity and urgency of climate change. The group environmental policy considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Climate related financial disclosures (TCFD)

The table below illustrates a summary of our progress in terms of the TCFDs aligned with the Financial Stability Board Taskforce recommendations and is structured around four core elements: governance, strategy, risk management, and metrics and targets. Climate risk disclosure is an evolving process. As we receive guidance from our regulatory regimes and the relevant reporting frameworks, we will continue to engage constructively with various stakeholders to improve our disclosures in alignment with our commitment to climate action.

www **_Refer to detailed information in our 2020 TCFD report on our website._**

	PRE FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR TO MARCH 2021
Governance	• Strengthened the group climate change statement and policy on environment • Reviewed the group policy on environmental and social risk for both investing and lending activities • Reviewed the group policy on lending to the coal industry	• Assigned board responsibility and oversight for climate related risks and opportunities • Assigned senior management responsibility for climate related risks and opportunities • Published a public fossil fuel policy	• Review risk appetite statements and frameworks to include TCFD recommendations, guidance and parameters
Strategy	• Committed to support the objectives of the Paris Agreement • Acknowledged our support of the TCFD recommendations in our annual reporting	• Followed the Intergovernmental Panel on Climate Change (IPCC) mitigation pathway of limiting global temperatures to 1.5ºC • Committing to ongoing carbon neutral emissions across all operations • First bank in SA and the eighth bank in the UK banking and financial services sector to sign up to the TCFDs in August 2019	• Engage with supply chain and clients to fully understand the carbon intensity of their business and to support them in implementing carbon reduction strategies • Climate scenario analysis and reporting
Risk management	• Supported business through: – guidance on ESG related matters using in-house developed ESG guidebooks based on IFC guidelines and – *ad hoc* training and awareness on ESG matters	• Evaluated lending and investment portfolios for ESG risks • Evaluated lending and investment portfolios for climate related risks and opportunities • Evaluated exposure to fossil fuels	• Strengthen capabilities in ESG identification, screening, measurement and reporting in risk management processes
Metrics and targets	• Included non-financial and ESG related targets within executive remuneration with a total weighting of 20% of short-term incentives and 25% long-term incentives • Implemented emission reduction targets within our operations relating to energy usage	• Achieved carbon neutral status across our global operations for emissions in the 2020 financial year • Committed to ongoing carbon neutral emissions across all operations • Disclosed our fossil fuel exposure and ESG risk exposure in our 2020 sustainability report	• Evaluate sourcing operational energy requirements from renewable energy providers • Include climate metrics in risk appetite indicators • Review climate-related targets for executive remuneration

Capital management and allocation

Regulatory capital

Current regulatory framework

Investec plc is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. Investec plc calculates capital resources and requirements using the Basel III framework, as implemented in the EU through the CRD IV.

In the UK banks are required to meet minimum capital requirements as prescribed by CRD IV for Pillar I, namely a CET1 capital requirement of 4.5% 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 Pillar IIA total capital requirement, as determined by the Supervisory Review and Evaluation Process (SREP), with at least 56% of CET1 capital. The PRA buffer, which is also determined as part of the SREP, must be supported with CET1 capital.

In March 2020, the PRA issued Investec plc with a revised Pillar IIA total capital requirement of 1.12% of RWAs, of which 0.63% has to be met with CET1 capital.

During March 2020 Investec plc successfully completed the demerger and separate listing of Ninety One, (previously Investec Asset Management). The transaction had a positive impact on Investec plc's capital position, increasing the CET1 ratio by 59 basis points.

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

As at 31 March 2020 Investec plc holds a CCB of 2.5% and institution specific CCyB of 0.06%, of RWAs. The institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. On 11 March 2020, the FPC announced that with immediate effect the UK CCyB rate be reduced to 0% in response to the economic shock arising from COVID-19.

The Investec plc group continues to hold capital in excess of all the capital and buffer requirements.

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

Subsidiaries of Investec plc 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 plc group that are monitored closely. With the support of the group'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 2019/2020, with a vast number of new regulatory proposals being published or adopted, notably by the PRA, the BCBS and the EBA.

International

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

In December 2017, the BCBS issued the final Basel III reforms. The revised standards will take effect from 1 January 2022, with certain elements phased in over five years. The revised standards include:

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

  In January 2019, the BCBS issued a revised market risk standard, which replaced the earlier version of the standard, which was published in January 2016. The revisions were informed by the committee's quantitative impact assessment and will take effect 1 January 2022.

  The BCBS announced on 27 March 2020 that the final Basel III reforms would be deferred by 1 year to 1 January 2023 with the aim of freeing up operational capacity for banks and supervisors to respond to the economic impact of COVID-19.

UK

The UK's withdrawal from the EU

Following the outcome of the June 2016 referendum, the UK withdrew from the EU on 31 January 2020. The Withdrawal Agreement, which sets out the terms of the UK's withdrawal from the EU became law on 23 January 2020. Under the terms of this agreement, the UK has entered a transitional period, which is due to end on 31 December 2020. During this period, EU law will continue to apply in the UK. It is now expected that the implementation of previously published EU Exit Instruments, Supervisory Statements and Statements of Policy to amend UK rulebooks will be delayed until the end of the transition period, but may be subject to further changes to reflect any new agreements on the future relationship between the EU and the UK.

The BoE and PRA confirmed on 30 April 2020, that they intend to use the temporary power, which was introduced through the Financial Services Markets Act 2000 (Amendment) (EU Exit) Regulations 2019, after the end of the transitional period. The UK regulators will have until 31 March 2022, 15 months from the end of the transitional period, to phase-in changes to the UK regulatory requirements.

Regulatory developments

In response to the economic shock from COVID-19, the PRA announced on 7 May 2020 it would alleviate unwarranted pressure on firms by setting all Pillar IIA requirements as a nominal amount, instead of a percentage of total RWAs. Firms who do not have a SREP review in 2020 can apply to convert their current Pillar IIA requirement into a nominal amount using RWAs as of December 2019. The change is voluntary and subject to supervisory agreement; and would apply until the firm's next regulatory-scheduled SREP.

On 26 March 2020, Sam Woods, Deputy Governor and Chief Executive Officer (CEO) of the PRA wrote to CEOs of UK banks providing COVID-19 guidance in three areas namely, consistent and robust IFRS 9 accounting and the regulatory definition of default, the treatment of borrowers who breach covenants due to COVID-19 and the regulatory capital treatment of IFRS 9. Concerning the regulatory treatment of IFRS 9, the PRA reiterated that the capital impact of ECL is being phased in over time and during 2020, firms can add-back CET1 equivalent up to 70% of 'new' provisions due to IFRS 9. Back in September 2017, the PRA encouraged firms to make use of the transitional arrangements. The European Commission (EC) have released a "quick fix" amendment to the CRR, which will introduce amended IFRS 9 transitional arrangements. If adopted in June 2020, UK banks will follow the amended provisions in the UK and add-back 100% of new provisions recognised in 2020 and 2021 to CET1 capital.

On 11 March 2020 the BoE announced measures to respond to the economic shock from COVID-19. The FPC took the decision to reduce the UK CCyB rate to 0% of bank's exposures to UK borrowers with immediate effect. The FPC expects to maintain the 0% rate for at least 12 months. Any subsequent increase will not take effect until March 2022, at the earliest.

Previously in December 2019, the FPC announced that it will increase the UK's CCyB rate from 1% to 2%, with binding effect from 16 December 2020. The FPC stated this was a structural change to the rate in a standard risk environment and not in response to a change in the FPC's view of the risk environment. The PRA proposes to update the Pillar IIA capital framework to take account of the additional resilience associated with higher macroprudential buffer requirements in a standard risk environment. The proposals only consider the 1% structural increase in the UK CCyB rate and the PRA propose to apply the Pillar IIA reduction, where applicable, at the same time or before the 2% UK CCyB rate comes into effect in December 2020.

In April 2019, the PRA issued a policy and supervisory statement setting out the approaches to managing the financial risks from climate change. These statements set out the PRA's expectations, which cover governance arrangements, financial risk management practices, use of scenario analysis and an approach to disclosure on the financial risks arising from climate change. Firms are required to include at a minimum all material exposures relating to the financial risks from climate change and an assessment of how firms have determined material exposures in the context of their business as part of their ICAAP.

Europe

On 28 April 2020, the EC adopted a banking package, with the aim to ensure banks can continue to lend money to support the economy and help mitigate the significant economic impact of COVID-19. It includes an Interpretative Communication on the EU's accounting and prudential frameworks, as well as a targeted "quick fix" amendment to the CRR. The "quick fix" amendments are due to be discussed with the European Parliament and Council and are expected to be adopted in June 2020. The following proposed amendments are most relevant to Investec plc:

- Amending the IFRS 9 transitional arrangements to allow institutions to fully add-back to their CET1 capital any increase in new provisions recognised in 2020 and 2021 for their financial assets that are not credit-impaired. The amount that could be added back from 2022 to 2024 would decrease in a linear manner;
- Offsetting the impact of excluding certain exposures from the leverage ratio calculation; and
- Advancing the date of application of the revised supporting factor for small and medium-sized enterprises and the new supporting factor for infrastructure finance.

In June 2019, the EU adopted the 'CRRII/CRDV' package in the Official Journal of the EU, with the majority of the amendments applying from 28 June 2021. The key CRRII/CRDV changes applicable to Investec plc include:

- A new standardised approach for calculating CCR;
- A revised large exposures framework;
- Changes to the market risk framework under the Fundamental Review of the Trading Book (FRTB) ; and
- The introduction of a 3% binding leverage ratio for all banks.

The above package does not include other BCBS reforms published in December 2017. These include revisions to the standardised approach to credit risk, market risk and operational risk.

The EBA announced on 22 April 2020 its intention to push back the starting date for the FRTB reporting requirement, included in CRRII, to quarter 3 2021, with the first reference date being 30 September 2021.

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. Investec plc has always held capital in excess of regulatory requirements and continues to remain well capitalised. Accordingly, the Investec group targets a minimum CET1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital adequacy ratio target in the range of 14% to 17%. These targets are set on a Investec group basis and exclude the deduction of foreseeable charges and dividends as required under the CRR and EBA technical standards. These targets are continuously assessed for appropriateness.

Leverage

Investec plc targets a leverage ratio above 6%.

Management of capital and leverage

Capital

The Investec 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 these committees to carry out this function, the group's prudential advisory and reporting team closely monitor regulatory developments and regularly present to the committees on the latest developments and proposals. As part of any assessment, the committees are provided with analysis setting out the group's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the Investec plc board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Leverage

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

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

Capital management

Philosophy and approach

The Investec plc group'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 group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance.

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

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

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

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

The framework has been approved by the Investec plc board and is managed by the Investec plc 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 Investec plc 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 Investec plc 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 are agreed by the Investec plc Capital Committee after the key vulnerabilities have been determined through the stress testing workshops.

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

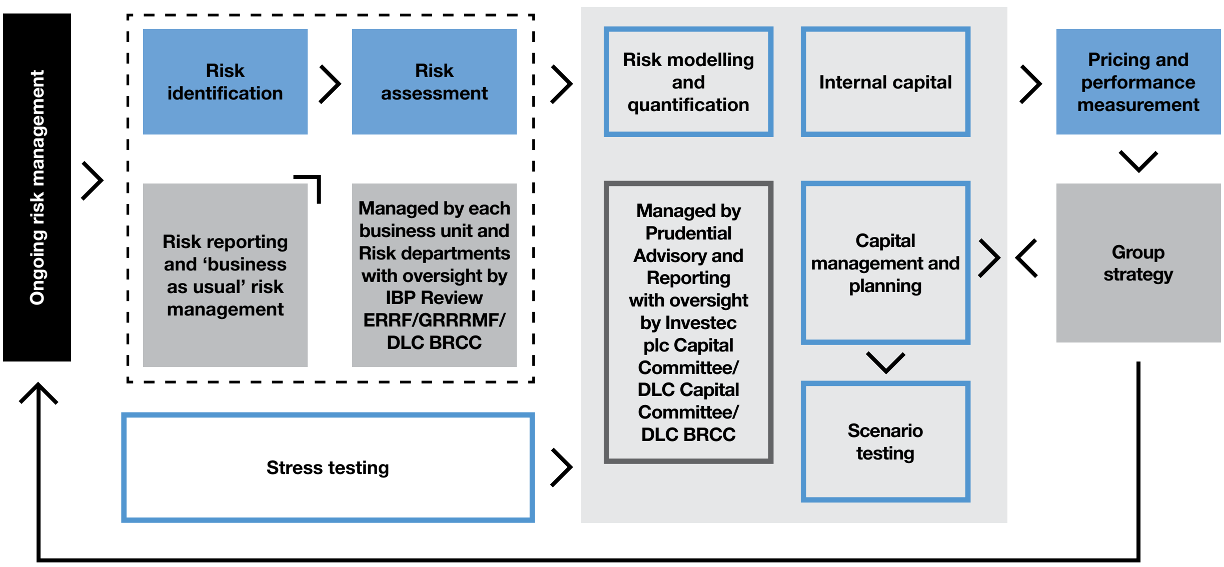
The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment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

Our capital plans are designed to allow senior management and the Investec plc 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 regulatory 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 Capital Committee, DLC Capital Committee and the DLC BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the Investec plc board, for considering the appropriate response.

The (simplified) integration of risk and capital management



Capital structure and capital adequacy

£'million	31 March 2020 Investec plc*°	31 March 2020 IBP*°	31 March 2019 Investec plc*°	31 March 2019 IBP*°
Shareholders' equity	**2 090**	**2 061**	**1 918**	**1 889**
Shareholders' equity excluding non-controlling interests	2 135	2 078	2 022	1 921
Foreseeable charges and dividends	–	–	(63)	(19)
Perpetual preference share capital and share premium	(25)	–	(25)	–
Deconsolidation of special purpose entities	(20)	(17)	(16)	(13)
Non-controlling interests	**–**	**–**	**7**	**(8)**
Non-controlling interests per balance sheet	3	3	13	(8)
Non-controlling interests excluded for regulatory purposes	(3)	(3)	–	–
Surplus non-controlling interest disallowed in common equity tier 1	–	–	(6)	–
Regulatory adjustments to the accounting basis	**91**	**91**	**110**	**110**
Additional value adjustments	(8)	(7)	(5)	(5)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	12	21	21
Adjustment under IFRS 9 transitional arrangements	87	86	94	94
Deductions	**(436)**	**(333)**	**(447)**	**(348)**
Goodwill and intangible assets net of deferred tax	(326)	(315)	(434)	(335)
Investment in financial entity	(92)	–	–	–
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(18)	(18)	(13)	(13)
Common equity tier 1 capital	**1 745**	**1 819**	**1 588**	**1 643**
Additional tier 1 instruments	274	250	274	250
Tier 1 capital	**2 019**	**2 069**	**1 862**	**1 893**
Tier 2 capital	**414**	**533**	**489**	**596**
Tier 2 instruments	533	533	596	596
Non-qualifying surplus capital attributable to non-controlling interests	(119)	–	(107)	–
Total regulatory capital	**2 433**	**2 602**	**2 351**	**2 489**
Risk-weighted assets^^	**16 285**	**15 808**	**15 313**	**14 631**
Capital ratios^^				
Common equity tier 1 ratio	10.7%	11.5%	10.4%	11.2%
Tier 1 ratio	12.4%	13.1%	12.2%	12.9%
Total capital ratio	14.9%	16.5%	15.4%	17.0%

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

° *The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under the CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2020 and 2019 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 0bps (31 March 2019: 41bps) and 0bps (31 March 2019: 13bps) higher, respectively, on this basis.*

^^ *CET1, tier 1, total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements.*

Capital requirements

	31 March 2020		31 March 2019	
£'million	**Investec plc***	**IBP***	**Investec plc***	**IBP***
Capital requirements	**1 303**	**1 265**	**1 225**	**1 170**
Credit risk	974	972	909	893
Equity risk	46	10	10	9
Counterparty credit risk	74	74	48	49
Credit valuation adjustment risk	5	5	6	6
Market risk	59	58	68	67
Operational risk	145	146	184	146
Risk-weighted assets (banking and trading)	**16 285**	**15 808**	**15 313**	**14 631**
Credit risk	12 183	12 145	11 361	11 174
Equity risk	580	125	121	115
Counterparty credit risk	921	922	605	611
Credit valuation adjustment risk	59	59	75	76
Market risk	734	726	855	833
Operational risk	1 808	1 831	2 296	1 822

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

Movement in RWAs

Total RWAs have increased by 6% 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 £1,281 million. The increase is driven by diversified growth across the corporate portfolio coupled with continued mortgage loan growth. In addition, the portion of our investment in Ninety One (previously Investec Asset Management), which is not deducted from CET1 capital is risk-weighted at 250% and is included in equity risk.

CCR RWAs and CVA risk

CCR and CVA RWAs increased by £300 million mainly due to an increase in the facilitation of client derivative hedges.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs decreased by £121 million, mainly due to decreases in equity risk and foreign exchange risk, driven by current market volatility.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach and decreased by £488 million. The decrease is attributable to a reduction in three year average operating income following the demerger of Ninety One (previously Investec Asset Management) and the disposal of the Irish Wealth business. Permission was obtained from the PRA to exclude the operational risk for these businesses from the three year average operating income calculation.

Leverage

£'million	31 March 2020 Investec plc*	31 March 2020 IBP*	31 March 2019 Investec plc*	31 March 2019 IBP*
Total exposure measure	25 966	25 817	24 282	23 849
Tier 1 capital (as reported)	2 019	2 069	1 862	1 893
Leverage ratio – current**	**7.8%**	**8.0%**	**7.7%**	**7.9%**
Total exposure measure ('fully loaded')	25 862	25 712	24 167	23 734
Tier 1 capital ('fully loaded')	1 918	1 992	1 761	1 816
Leverage ratio – 'fully loaded'^^^**	**7.4%**	**7.7%**	**7.3%**	**7.7%**
Leverage ratio** – current UK leverage ratio framework##	8.9%	9.1%	9.6%	10.0%

* Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

** 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 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 2020 of £9 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

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

Movement in total regulatory capital

The table below analyses the movement in CET1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

	31 March 2020		31 March 2019	
£'million	**Investec plc***	**IBP***	**Investec plc***	**IBP***
Opening common equity tier 1 capital	**1 588**	**1 643**	**1 522**	**1 621**
Profit after taxation	646	58	192	162
Adoption of IFRS 9	–	–	(212)	(212)
Share-based payment adjustments	8	(7)	30	(2)
Treasury shares	(46)	–	(42)	–
Distribution to shareholders	(489)	–	–	–
Net equity impact on non-controlling interest movements	(1)	(1)	31	–
Movement in other comprehensive income	45	9	9	10
Investment in financial entity	(92)	–	–	–
New capital issues	65	150	66	–
Dividends	(114)	(52)	(127)	(49)
Goodwill and intangible assets (deduction net of related taxation liability)	107	20	13	13
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	(5)	(5)	(4)	(4)
Deconsolidation of special purpose entities	(4)	(3)	(8)	(8)
Adjustments under IFRS 9 transitional arrangements	(7)	(8)	94	94
Changes to own credit	(9)	(9)	21	21
Foreseeable charges and dividends	63	19	2	(1)
Movement in non-controlling interests	(7)	8	(5)	(5)
Other, including regulatory adjustments and other transitional arrangements	(3)	(3)	6	3
Closing common equity tier 1 capital	**1 745**	**1 819**	**1 588**	**1 643**
Opening additional tier 1 capital	**274**	**250**	**274**	**200**
New additional tier 1 issues	–	–	–	50
Closing additional tier 1 capital	**274**	**250**	**274**	**250**
Closing tier 1 capital	**2 019**	**2 069**	**1 862**	**1 893**
Opening tier 2 capital	**489**	**596**	**359**	**445**
New tier 2 capital issues	–	–	418	418
Redeemed capital	–	–	(267)	(267)
Other, including regulatory adjustments and other transitional arrangements	(75)	(63)	(21)	–
Closing tier 2 capital	**414**	**533**	**489**	**596**
Closing total regulatory capital	**2 433**	**2 602**	**2 351**	**2 489**

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

A summary of capital adequacy and leverage ratios

	31 March 2020		31 March 2019	
	Investec plc^*	**IBP^***	**Investec plc^***	**IBP^***
Common equity tier 1 (as reported)°	10.7%	11.5%	10.4%	11.2%
Common equity tier 1 ('fully loaded')^^	10.3%	11.1%	9.9%	10.8%
Tier 1 (as reported)°	12.4%	13.1%	12.2%	12.9%
Total capital ratio (as reported)°	14.9%	16.5%	15.4%	17.0%
Leverage ratio** – current	7.8%	8.0%	7.7%	7.9%
Leverage ratio** – 'fully loaded'^^	7.4%	7.7%	7.3%	7.7%
Leverage ratio** – current UK leverage ratio framework^^^	8.9%	9.1%	9.6%	10.0%

* *Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.*

^ *The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital as required under CRR and EBA technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2020 and 2019 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 0 bps (31 March 2019: 41bps) and 0 bps (31 March 2019: 13bps) higher, respectively 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 IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2020 of £9 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.*

o *The reported CET1, tier 1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements.*

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

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 IBP and IBL. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. IBP's ratings are in line with the prior year. IBP's long-term Moody's Deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ on Rating Watch Negative.

On 1 April 2020, Fitch took action on 18 UK banking groups, including IBP, due to the COVID-19 pandemic. IBP's long-term Issuer Default Rating (IDR), Viability Rating (VR) and debt ratings were placed on Rating Watch Negative, as Fitch believes the economic fallout of the pandemic represents near-term risk to its ratings. IBP's long-term deposit rating was affirmed by Fitch at BBB+ however, in March 2019 Fitch placed IBP along with 19 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 17 June 2020 were as follows:

RATING AGENCY	INVESTEC PLC	IBP – 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

As a result of the regulatory responsibilities arising from the DLC structure, there are two group internal audit functions located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. IBP (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 operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The Investec plc head of internal audit reports at each subsidiary audit committee meeting and has a direct reporting line to the chair of the Investec plc Audit Committee as well as a dotted line to the chief executive officer. The Investec plc head of internal audit is responsible for coordinating internal audit efforts to ensure coverage is consistent and departmental skills are leveraged to maximise efficiency. For administrative purposes, the Investec plc head of internal audit also report to the group head of corporate governance and compliance. The function complies with the International Standards for the Professional Practice of Internal Auditing, and is subject to an independent Quality Assurance Review (QAR) at appropriate intervals. A QAR review has recently been undertaken, benchmarking the function against both internal methodology and international best practice which indicated that internal audit is generally compliant with the requirements of global, Institute of Internal Auditors (IIA) standards.

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 predetermined rotational intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec'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 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 a report 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 each audit committee.

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

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 the diverse requirements of IBP, Investec Wealth & Investment and Investec plc, which is assessed annually by the respective 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 respective 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 feature in the financial sector with ongoing global political events adding uncertainty as to the shape of financial services regulation going forward. Technological risk and social concerns, including environmental sustainability, are increasingly being addressed through regulation.

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

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

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

The group 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 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 culture and conduct, establishing a clear expectation that UK regulated banks maintain robust frameworks, for managing risk in these key areas. Specifically, UK institutions are expected to be able to demonstrate that their culture, governance and approach to rewarding and managing staff, are at all times aligned to the interests of customers and the institutions' other stakeholders.

The board, along with senior management, are ultimately responsible for the group's culture and conduct risk frameworks. Over the period, the group has continued to focus 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 together with 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; fair treatment of existing customers; prevention of fraud and financial scams; responsible lending, advice and selling standards in the mortgage market; overdraft reforms; and tackling pension mis-selling and fraud. In the period the FCA cancelled a number of consumer credit permissions for motor dealers and imposed a number of fines for culture, conduct and governance failures in retail and wholesale banking as well as breaches of competition law.

The FCA's focus on customer protection 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, tax evasion and bribery and corruption. The FCA Business Plan also highlights financial crime (frauds and scams) and AML as one of their key cross-sector priorities with a particular focus on the harm caused by money laundering within capital markets. The group maintains robust due diligence with relevant policies, procedures and training to guard against the risks of financial crime.

Brexit

The UK left the EU on 31 January 2020 and entered into a transition period, which is due to last until 31 December 2020. During the transition period, EU law will continue to apply and firms and funds will continue to benefit from passporting between the UK and the EEA. Consumer rights and protections derived from EU law will also remain in place.

New EU legislation that takes effect before the end of the transition period, will also apply to the UK. The FCA intends to use the transition period to work with the UK Government, the BoE, institutions and other regulators to ensure the financial services industry is ready for the end of the transitional period. Investec continues to refine its Brexit strategy to ensure it is able to maintain access to EU clients and markets with minimal disruption to the group, its clients and employees.

Tax reporting (FATCA, CRS, MDR and DAC6)

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

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

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

Despite Brexit, the UK Government published draft legislation in July 2019 and draft guidance in January 2020 defining how it intends to implement the regime into UK domestic law. The legislation will come into effect on 1 July 2020.

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

Chairman's introduction

Dear Shareholder

It is my pleasure to present the corporate governance report for the year ended 31 March 2020. The report details our approach to corporate governance in practice, how we operate and our key activities during the year, together with information on the annual board evaluation process. For the purpose of this report, the board of Investec plc will be referred to as the board.

Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed company (DLC) structure. The board is responsible for statutory matters and corporate governance for the group, and sets the standards for the subsidiaries of the group. The boards of Investec Bank plc (IBP) and Investec Bank Limited (IBL), the UK and South African regulated banking subsidiaries of the group respectively, are responsible for the statutory matters and corporate governance for the respective banks, and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. Stakeholders are therefore encouraged to also read the corporate governance reports as contained in the IBP 2020 annual report and IBL 2020 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, and to consider the key areas of focus for the board in the year ahead.

The past year in focus

A year of change

Change has been an evident theme of the past year, in particular, with regards to the demerger and separate listing of the Asset Management business, which was successfully completed in March 2020, with the formation of Ninety One, a global asset manager with an emerging market heritage. The demerger has simplified the group, allowing the banking and wealth businesses to focus on their growth plans, and to build on the current and potential linkages between our businesses.

The operating environment remained challenging over the year, with confidence impacted by the uncertainty around global trade tensions, muted economic growth in South Africa and Brexit in the UK. Economies experienced further volatility in the fourth quarter of the financial year as a result of the global outbreak of COVID-19. Against this backdrop, the Investec group reported a decrease in adjusted operating profit of 16.8% from £731.9 million to £608.9 million. Earnings were characterised by growth in client-related revenues and much tighter cost containment. However, this was more than offset by significantly lower investment income and trading revenues, and higher expected credit loss charges given the economic backdrop.

The board and leadership team has also seen significant change during the financial year and continuing into the new year, including the departures of Hendrik du Toit as joint chief executive officer (CEO) and Kim McFarland as an executive director, and the appointment of Ciaran Whelan as an executive director. The board announced its intention to appoint Richard Wainwright, subject to regulatory approval, as an executive director. The changes to the board and leadership team have been delivered through planned and structured succession in order to bring new skills to the board, but to also provide continuity and retain knowledge within the organisation, with both Ciaran and Richard being internal appointments.

Strategy

The group remains driven by our founders' entrepreneurial spirit and commercial integrity. We have built a reputation for forging strong, open and long-standing partnerships with our clients. Investec's culture and values continue to underpin the organisation in achieving its strategic objectives. The group continued to make progress in its stated strategy to simplify and focus the business in pursuit of disciplined growth in the long term. The group completed the demerger of the asset management business, executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses, reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the UK Private Banking business. In addition, the Investec group has continued to focus on its long-term commitment to One Investec; a client-focused strategy where, irrespective of specialisation or geography, there is a commitment to offer clients the full breadth and scale of Investec's products and services.

To deliver on One Investec, there is a focus on imperative collaboration between the banking and wealth businesses; together with continued investment and support into these franchises. This will position Investec for sustainable long-term growth.

Board composition

As identified above, the composition of the board and the leadership team has further evolved. The board, working closely with the DLC Nominations and Directors' Affairs Committee (DLC Nomdac), continues to drive and monitor succession planning. The succession of the group's executive management, in particular, has been a key focus area for the board. Since the previous annual report, the following changes have been effected in respect of the composition of the board:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 Annual General Meeting (AGM), and therefore stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One. The board is grateful to Stephen and Bernard for their exemplary service, commitment and contribution to the group since the 1980s
- Cheryl Carolus and Laurel Bowden, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and therefore stood down from the board with effect from 8 August 2019. The board is grateful to Cheryl and Laurel for their dedication and contribution to the group, and wishes them well with their future endeavours
- Henrietta Baldock and Philisiwe Sibiya were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC Board Risk and Capital Committee (BRCC), and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC

- Subsequent to the demerger of Ninety One, Hendrik du Toit and Kim McFarland, stepped down from the board, with effect from 16 March 2020, to focus their efforts on Ninety One. The board offers its sincere thanks to Hendrik and Kim for their exemplary service, dedication and commitment to the group. They go with our very best wishes for their roles at an independent Ninety One, where Hendrik has become CEO and Kim chief financial officer (CFO), and we wish them every success
- Fani Titi continues on the board, as sole CEO, and Nishlan Samujh continues as finance director of the group
- Ciaran Whelan, who has been acting as group head of risk, was appointed as an executive director with effect from 1 April 2020
- David van der Walt was appointed as an executive director with effect from 1 April 2020. David stepped down as a director on 4 June 2020, ahead of his retirement from the Investec group in December 2020. The board offers its sincere thanks to David for his long service, dedication and contribution to the group
- The board announced its intention, subject to regulatory approval, to appoint Richard Wainwright, CEO of IBL and head of the South African Specialist Banking business, as an executive director
- Ian Kantor, co-founder and former CEO of the group, who currently serves as a non-executive director, will not stand for re-election at the 2020 AGM. The board is grateful to Ian for his exemplary service, commitment and contribution to the group, and wishes him well with his future endeavours.

Diversity

The group strives to prevent and eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, sexual preference, political opinion, sensitive medical conditions, nationality or country of origin or any other form of discrimination. We are committed to attracting, developing and retaining a diverse team of talented people and our recruitment strategies prioritise previously disadvantaged candidates, where possible. A diverse workforce is vital to our ability to continue to be an innovative organisation that can adapt and prosper in a fast-changing world. We have various formal and informal processes to encourage debate and dialogue, valuing diversity and difference across the group.

We have a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by end of the 2020 calendar year, and as at the date of this report, there was a 23% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were five persons of colour, as defined by the Parker Review, who are board members. The group is also a signatory to the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets. We are also a member of the 30% Club in South Africa and the UK.

The board recognises that more still needs to be done, in particular, in regards to the representation of women on the board. We also acknowledge and are very conscious of the fact that this has declined in the year, following Kim McFarland stepping down from the board of Investec group and onto the board of Ninety One (as a result of the demerger of the Asset Management business). Our target for female board representation remains 33% and we are committed to achieving this target. We are committed to improving the diversity of the board, for a diverse board remains essential to the group, bringing indisputable benefits, including distinct and different outlooks, alternative points of view, and mindsets able to challenge the status quo.

In addition, the group reported on its gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to further promote diversity.

Corporate governance

Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We demand cast-iron integrity in all internal and external dealings and an uncompromising display of moral strength and behaviour. We believe that open and honest dialogue is the appropriate process to test decisions, reach consensus and accept responsibility. We have adopted a multi-dimensional approach involving everyone in the organisation which incorporates challenge at every level as a defence mechanism against corruption and fraud. Creating fraud and ethics awareness throughout the organisation assists in influencing ethical behaviour.

Following the enhancement of the independent governance structures of IBL and IBP in the previous year, during the year under review we focused on embedding these structures and processes across the group.

For the financial year ended 31 March 2020, the Investec group applied and was compliant with the UK Corporate Governance Code 2018 and the King IV Code in South Africa. The board, in preparation for the group's adoption of the UK Corporate Governance Code 2018, reviewed its corporate governance framework and considered our approach to workforce engagement. For further information regarding the group's application of the UK Corporate Governance Code refer to page 163. Further details regarding the group's approach to workforce engagement may be found on page 166.

Board effectiveness

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one to one meetings with the chairman.

The findings were collated and presented to the DLC Nomdac at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall, the board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework. Further details regarding the 2019 board effectiveness review may be found in the DLC Nomdac report on page 141.

Stakeholder engagement

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs impact its status as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management regarding the workplace, economy, society and environment. Our group-wide philosophy seeks to maintain an appropriate balance between the interests of all 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.

During the past year, the board has continued its shareholder consultations. These consultations included discussions on the progress made on the group's strategic initiatives, the impact of the changes in the economic environment on the group as well as various other key governance topics.

For further information regarding the group's engagement with our stakeholders and the group's section 172 statement refer to pages 31 to 35.

The year ahead

As the year drew to a close, we faced the challenges resulting from the COVID-19 pandemic. Similar to other organisations, we have taken decisive action to help ensure the welfare of our people, to assist our clients, to support our community, to work with the initiatives put forward by the governments in the jurisdictions in which we operate, and to manage the heightened risk environment. There remains uncertainty, as to the depth of the potential downturn in activity, the duration of restrictive measures and the exit plans within the geographies in which we operate. At the present time it is difficult to predict the full impact that the pandemic will have on the group. The board will continue to meet regularly, on a virtual basis, to ensure that our responsibilities are fulfilled, appropriate support is provided, risks are carefully managed and potential opportunities assessed as the group navigates these turbulent times.

In the coming year, a key focus for the board will be the consideration of the governance structure of the group, and the governance structures of the group's core banking and wealth subsidiaries, following the demerger and separate listing of Ninety One. The board, with the assistance of the DLC Nomdac, will also undertake a review of the composition of the board, to ensure that it remains appropriate for the group, and that the members of the board have the necessary skills, knowledge, experience and diversity, required to conduct the affairs of the group.

The board will continue to focus on those matters that will support our strategic priorities, enabling growth with discipline and enhancing both the service we are able to provide to our clients and the returns for our shareholders. There will be increased connectivity between our banking and wealth businesses, and across our geographies, together with the further development of our digital capabilities. Heightened cost management rigour remains a key priority, particularly in the current economic environment. Whilst overseeing the delivery of our strategic priorities, the board will ensure adherence to good corporate governance and sound decision making that includes full and proper regard to the environmental impact of our activities, and the interests of all our stakeholders.

Conclusion

The careful selection of people, their ongoing development and uncompromising commitment to our stated values will continue to be a distinctive characteristic of Investec's culture and drive.

We will continue to integrate social, ethical and environmental considerations into day-to-day operations and our sustainability approach is based on the integration of people, planet and profit.

Most importantly, our immediate focus in these unprecedented times, is the wellbeing and safety of our employees and clients. We will continue to support and stay close to clients, and ensure we deliver the excellence of service that they expect and value.

Over the following pages, you will find more detail on the group's governance framework, including who the 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 organisation. We trust that this report, together with the group's 2020 report and financial statements, will provide you with an overview of how we are managing the group and promoting the interests of all our stakeholders.

PKO Crosthwaite.

Perry Crosthwaite
Chairman

17 June 2020

Within this report you will find:

Who we are

Director biographies

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

Perry KO Crosthwaite

Investec plc and Investec Limited chairman

Age: 71

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 position he held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited in June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004. Perry has financial experience gained through a career in investment banking with over 30 years of experience. Perry has previously served as a non-executive director of Melrose Industries plc and Toluna plc, chairman of Jupiter of Green Investment Trust and was a founding member of Henderson Crosthwaite Institutional Brokers Limited.

External appointments
None

Committee membership
DLC BRCC, DLC Nomdac (chairman) and DLC Remuneration Committee

Date of appointment
Investec Limited 18 June 2010
Investec plc 18 June 2010

Zarina BM Bassa

Senior independent non-executive director

Age: 56

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 the Private Bank. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a board member of the Accounting Standards Board and a member of the JSE GAAP Monitoring Panel. Zarina has previously served as a non-executive director at several companies including the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Vodacom South Africa Proprietary Limited, Mercedes SA and the Financial Services Board. Zarina was appointed as the senior independent non-executive director of Investec plc and Investec Limited on 1 April 2018.

External appointments
Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited and JSE Limited

Committee membership
DLC Audit Committee (chair), DLC BRCC, DLC Nomdac and DLC Remuneration Committee

Date of appointment
Investec Limited 1 November 2014
Investec plc 1 November 2014

Henrietta C Baldock

Independent non-executive director

Age: 49

Qualifications: BSc Hons in Economics and Accounting

Relevant skills and experience
Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as chairman of the European Financial Institutions team at Bank of America Merrill Lynch. Henrietta joined Bank of America Merrill Lynch in 2000 and served as its Vice President of the Financial Institutions Group, Managing Director and Head of European Financial Institutions Investment Banking. She started her career as a generalist adviser and has focused on financial institutions since 1995.

External appointments
Hydro Industries Limited, Legal and General Assurance Society Limited and Legal and General Group plc

Committee membership
DLC BRCC

Date of appointment
Investec Limited 9 August 2019
Investec plc 9 August 2019

Philip A Hourquebie

Independent non-executive director

Age: 66

Qualifications: BAcc, BCom (Hons), CA(SA)

Relevant skills and experience
Philip has been a Regional Managing Partner of two regions of Ernst & Young (Africa and Central and South East Europe, including Turkey). Philip left Ernst & Young in 2014. As a senior partner at Ernst & Young Inc., Philip's background is in advisory services in both the private and public sector. As an advisory partner and senior client service partner, he has worked, *inter alia*, with clients in financial services, mining, telecommunications, consumer products and retail, state-owned enterprises, government agencies and government departments at all three levels. Philip has also been a past chairman of the board of South African Institute of Chartered Accountants (SAICA).

External appointments
Aveng Limited

Committee membership
DLC Audit Committee, DLC BRCC, DLC Nomdac and DLC Remuneration Committee (chairman)

Date of appointment
Investec Limited 14 August 2017
Investec plc 14 August 2017

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 the KPMG Cape Town office before leaving in March 2013.

External appointments
The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

Committee membership
DLC BRCC (chairman) and DLC Nomdac

Date of appointment
Investec Limited 1 March 2013
Investec plc 1 March 2013

Charles R Jacobs

Independent non-executive director

Age: 53

Qualifications: LLB

Relevant skills and experience
Charles brings to the board a valuable combination of knowledge of the UK regulatory and corporate governance standards, global capital markets and M&A. Charles sits on the board of Fresnillo plc, a FTSE company. He was appointed a member of the Shanghai International Financial Advisory Council in 2019. Charles has over 27 years of experience of advising companies around the world, including in relation to their compliance, regulatory and legal requirements. Charles chairs Linklaters and holds an LLB from Leicester University.

External appointments
Fresnillo plc

Committee membership
DLC Remuneration Committee

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Rt. Hon. Lord Malloch-Brown KCMG

Independent non-executive director

Age: 66

Qualifications: BA (Hons) (History), MA (Political Science)

Relevant skills and experience
Lord Malloch-Brown chairs or is on the board of several commercial entities, as well as Not for Profits, and is Senior Advisor to the Eurasia Group. He was a UK government minister and member of the cabinet. Lord Malloch-Brown was formerly the deputy secretary general of the United Nations as well as a vice president at the World Bank and head of United Nations Development Programme and a journalist at the Economist, with wide ranging experience of boards. He also chaired the Business and Sustainable Development Commission (BSDC).

External appointments
Seplat Petroleum Development Company plc, SGO Corporation Limited, I Squared Capital and Grupo T-Solar Global SA

Committee membership
DLC Nomdac and DLC SEC (chairman)

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Ian R Kantor

Non-executive director

Age: 73

Qualifications: BSc. Eng (Elec.), MBA

Relevant skills and experience
Ian is a co-founder of Investec, served as the chief executive of IBL until 1985 and was the chairman of Investec Holdings Limited until 2002. Ian started his career at IBM, before joining Lease Plan International. Immediately prior to Investec, Ian taught business finance at the University of the Witwatersrand. Ian moved to the Netherlands in 1988, to develop the Insinger de Beaufort Group, a private bank, which had been established in 1779. He later resigned as CEO of the bank, to be appointed Deputy Vice Chairman of the group, following the formation of a partnership between Insinger de Beaufort and BNP Paribas.

External appointments
Blue Marlin Holdings South Africa (formerly Insinger de Beaufort Holdings South Africa, in which Investec Limited indirectly holds an 8.3% interest)

Committee membership
None

Date of appointment
Investec Limited 30 July 1980
Investec plc 26 June 2002

Khumo L Shuenyane

Independent non-executive director

Age: 49

Qualifications: BEcon, CA (England and Wales)

Relevant skills and experience
Khumo has served as an independent non-executive director of Investec Limited and Investec Plc since 2014. He also serves on the boards of a number of other companies within the Investec group, including Investec Bank Limited, Investec Life Limited and Investec Property Fund Limited. He was appointed chairman of Investec Bank Limited in 2018.

Khumo has been appointed as an independent non-executive director of Vodacom Group Limited with effect from 1 July 2020. He previously worked with Delta Partners, a global advisory firm headquartered in Dubai and focused on the telecoms, media and technology sectors, in various capacities for six years from 2014. Between 2007 and 2013 Khumo served as Group Chief Mergers & Acquisitions Officer for MTN Group Limited and a member of its Group Executive Committee.

Khumo previously worked for Investec Bank for nine years, serving as head of Principal Investments for three years and a member of Investec's corporate finance team before that. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen in Birmingham, UK and in Johannesburg for six years from 1992. He qualified as a member of the Institute of Chartered Accountants in England & Wales in 1995.

External appointments
None

Committee membership
DLC BRCC, DLC Nomdac and DLC SEC

Date of appointment
Investec Limited 8 August 2014
Investec plc 8 August 2014

Philisiwe G Sibiya

Independent non-executive director

Age: 43

Qualifications: BAcc, Dip Acc, CA(SA)

Relevant skills and experience
Philisiwe spent 15 years in the Telecommunications and Media sector. She spent 12 years at MTN Group where she held various roles including as Group Finance Executive of MTN Group, CFO MTN South Africa and the last three years as CEO MTN Cameroon. Prior to this she spent three years with Arthur Andersen Johannesburg. Philisiwe is the founder and chief executive officer of Shingai Group.

External appointments
AECI Limited and Shingai Group (Pty) Limited

Committee membership
DLC Audit Committee and DLC BRCC

Date of appointment
Investec Limited 9 August 2019
Investec plc 9 August 2019

Fani Titi

Group chief executive officer

Age: 57

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

Relevant skills and experience
Fani has been a member of the boards of Investec Limited and Investec plc since January 2004 and was non-executive chairman of Investec Limited and Investec plc from November 2011 until 15 May 2018. He has also been a member of the IBL board from July 2002, and the IBP board from August 2011. He has served on the board of Investec Asset Management from November 2013 and remains on the board of the newly listed Ninety One as a non-executive director. 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 was appointed joint group chief executive officer of Investec group on 01 October 2018 and following the demerger and separate listing of Ninety One, became the sole chief executive officer of the group.

External appointments
Ninety One plc

Committee membership
DLC BRCC and DLC SEC

Date of appointment
Investec Limited 30 January 2004
Investec plc 30 January 2004

Nishlan Samujh

Group finance director

Age: 46

Qualifications: BAcc; Dip Acc, CA(SA) HDip Tax

Relevant skills and experience
Nishlan started his career in 1996 at KPMG Inc. In 1999, he proceeded to join Sasol Chemical Industries for a short period before joining Investec in January 2000. Nishlan started his career at Investec in the financial reporting team as a technical accountant. In 2010 he took on the full responsibility for the finance function in South Africa. This role developed into the global head of finance. Nishlan was appointed as finance director of Investec plc and Investec Limited on 1 April 2019.

External appointments
None

Committee membership
DLC BRCC

Date of appointment
Investec Limited 1 April 2019
Investec plc 1 April 2019

James KC Whelan

Executive director

Age: 57

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 in Ireland. Ciaran was appointed as an executive director of Investec plc and Investec Limited on 1 April 2020 and as CEO of Wealth & Investment (UK), subject to regulatory approval.

External appointments
None

Committee membership
None

Date of appointment
Investec Limited 1 April 2020
Investec plc 1 April 2020

Governance framework

Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group, and complies with the 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 (LSE), with a secondary listing on the Johannesburg Stock Exchange (JSE); and
- Investec Limited – a public company incorporated in South Africa and listed on the JSE, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange.

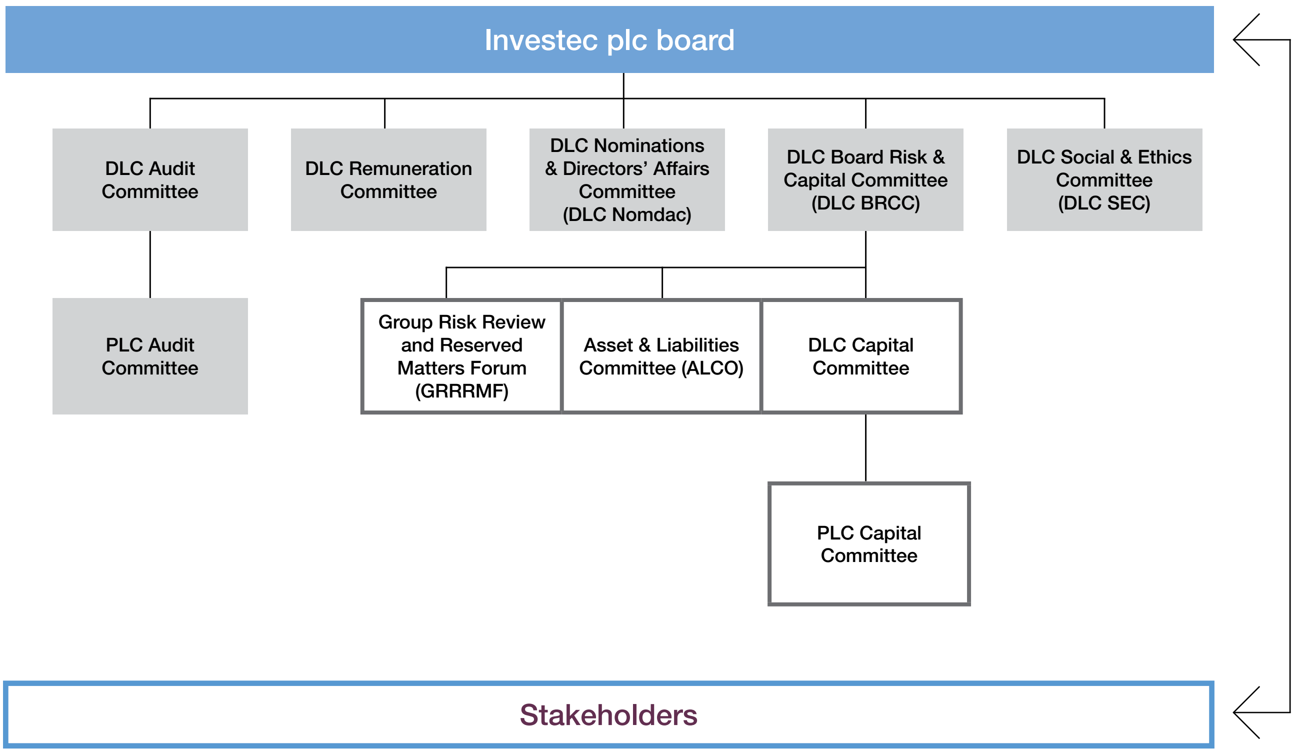
The boards of Investec plc and Investec Limited are identical in terms of their composition and board meetings are held jointly. The committee structure has been derived from the requirements of the UK Corporate Governance Code and the King IV Code, as well as the activities of the group.

As a result of the DLC structure, the DLC BRCC, DLC Nomdac, DLC Remuneration Committee and DLC SEC act as the respective committee for both Investec Limited and Investec plc. The reports of these committees therefore have been incorporated into this report, without adaption, from that contained within volume one of the Investec group's 2020 integrated annual report.

Our governance activities are aligned with the South African Companies Act, No 71 of 2008, as amended (the South African Companies Act), the JSE Listings Requirements, the King IV Code, the South African Banks Act 94 of 1990 (South African Banks Act), the UK Companies Act 2006 (UK Companies Act) and the UK Corporate Governance Code 2018.

The board of IBP, the UK regulated banking subsidiary of the group, and the board of IW&I, our regulated wealth subsidiary, are responsible for the statutory matters and corporate governance for the respective entities and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The boards and board committees of IBP and IW&I report to the board and the board committees of the group, with the interconnection between the respective board committees, supported by the membership or attendance of the chairman of the group board committee at the respective subsidiary board committee.

The governance framework from a group perspective is detailed below:



Board roles

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

Chairman	*Chief executive officer*	*Finance director*
• Responsible for the leadership of the board and ensuring its overall effectiveness • Sets the board agenda, ensuring that there is sufficient time available for the discussion of all items, and that the board meets with appropriate frequency • Acts as facilitator at board meetings to ensure that no director, whether executive or non-executive, dominates the discussion, ensures that the discussion is appropriate and that the discussions result in logical and understandable outcomes • Demonstrates objective judgement and encourages open and honest dialogue between all board members • Leads and manages the dynamics of the board, providing direction and focus • Ensures that the board sets the strategy of the group and assists in monitoring the progress towards achieving the strategy • Oversees the integrity and effectiveness of the governance processes of the board • Leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all board members • Responsible for the evaluation of the performance of the board collectively, non-executive board members individually and contributes to the evaluation of the performance of the executive directors • Maintains regular dialogue with the CEO in respect of all operational matters and consults with the remainder of the board promptly on any relevant matter • Ensures that the board sets the tone from the top, in regard to culture • Serves as the primary interface with regulators and other stakeholders on behalf of the board	• Leads and manages the group within the authorities delegated by the board • Develops and recommends business plans, policies and objectives for consideration by the board, taking into consideration business, economic and political trends that may affect the operations of the group • Develops strategic proposals for consideration and recommendation to the board • Implements the decisions of the board and delivers the agreed strategic objectives • Ensures the group's unique culture is embedded and perpetuated • Develops and supports the growth of all the groups' businesses • Monitors and manages the day-to-day operational requirements and administration of the group	• Leads and manages the group finance functions • Provides the board with updates on the group's financial performance • Provides strategic and financial guidance to ensure that the group's financial commitments are met • Submits reports, financial statements and consolidated budgets for consideration by the board • Oversees the financial management of the group including financial planning, capital, cash flow and management reporting • Develops all necessary policies and procedures to ensure the sound financial management and control of the group's business

Senior independent director	Non-executive director	Company secretary
• Addresses any concerns or questions from shareholders and non-executive directors • Provides a sounding board to the chairman • Leads the board in the assessment of the effectiveness of the chairman, and the relationship between the chairman and the CEO • Acts as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board	• Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals • Constructively challenges and contributes to assist in developing the group's strategy • Monitors the performance of management against their agreed strategic goals • Oversees the effectiveness of internal controls and the integrity of financial reporting • Reviews succession planning for the board and management • Oversees the risk management framework • Oversees the remuneration of the executive directors and the group's employees	• Maintains the flow of information to the board and its committees and ensures compliance with board procedures • Minutes all board and committee meetings to record the deliberations and decisions taken therein • Provides expertise to effect board compliance with relevant legislation and regulations • Ensures good corporate governance is implemented and advises the chairman and board in that regard • Guides the directors collectively and individually on their duties, responsibilities and powers • Reports any failure on the part of the group or any individual director to comply with the articles or the relevant legislation • Ensures board procedures are followed and reviewed regularly • Ensures applicable rules and regulations for conducting the affairs of the board are complied with • Facilitates a programme for the induction and ongoing development of directors • Maintains statutory records in accordance with legal requirements • Guides the board on how its responsibilities should be properly discharged in the best interests of the organisation • Keeps abreast of, and informs, the board of current and new developments regarding corporate governance thinking and best practice

Board composition

Membership

At the date of this annual report, the board comprised three executive directors and ten non-executive directors, including the chairman. The changes to the composition of the board, which occurred during the year are as follows:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 AGM, and accordingly stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One
- Subsequent to the demerger of Ninety One, Hendrik du Toit and Kim McFarland, joint CEO and executive director respectively, stepped down from the board of the group, with effect from 16 March 2020, to focus their efforts on Ninety One
- Fani Titi remains on the board, as sole CEO, and Nishlan Samujh continues as finance director of the group
- Ciaran Whelan, who has been acting as group head of risk, and David van der Walt, who was formerly the CEO of IBP, were appointed as executive directors with effect from 01 April 2020
- The board announced its intention to appoint Richard Wainwright, subject to regulatory approval, as an executive director
- David van der Walt stepped down as an executive director with effect from 4 June 2020
- Laurel Bowden and Cheryl Carolus, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and accordingly stood down from the board with effect from 8 August 2019
- Henrietta Baldock and Philisiwe Sibiya were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC BRCC, and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC
- Philip Hourquebie, an independent non-executive director of the group, was designated as the non-executive director for workforce engagement. Further information in respect of this role, and the board's engagement with our workforce may be found on pages 31 and 166.

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 134.

Further information regarding the DLC Nomdac's responsibilities in respect of succession planning may be found in the DLC Nomdac report on pages 138 to 141.

Independence

The Investec group board considers the guidance set out in the UK Corporate Governance Code 2018, the King IV Code, directive 4/2018 as issued by the South African Prudential Authority, when considering the independence of members of the board.

Throughout the year ended 31 March 2020, the board was compliant with the UK Corporate Governance Code and the King IV Code, in that the majority of the board, excluding the chairman, comprise independent non-executive directors.

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

The board, at the recommendation of the DLC Nomdac, believes that it functions effectively and that the non-executive directors are independent of management and promote the interests of stakeholders.

The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the chairman, Perry Crosthwaite, was independent on appointment. In accordance with the South African Prudential Authority's Directive 4/2018, the board, noting that Perry, who has served on the board for a period of greater than nine years, would not meet the Prudential Authority's definition of independence, sought permission from the Prudential Authority for Perry to remain as the chairman of the board. This is because the board believes that Perry continues to demonstrate objective judgement and promotes constructive challenge amongst the members of the board in addition to supporting the succession plan for the board and the leadership team, following the recent management transition from a founder led organisation to an era of professional management. The Prudential Authority, recognising the justification provided by the board, and acknowledging the additional layer of independence provided by the senior independent director (SID), Zarina Bassa, provided approval for Perry to continue to serve as chairman of the board and the DLC Nomdac until 31 August 2022. The board also notes provision 15 of the UK Corporate Governance Code, which provides that the chair should not remain in post beyond nine years from the date of first appointment. As identified, the board believes that the continued appointment of the chairman, Perry, who was appointed to the board in June 2010, will support the succession plan for the board and the leadership team. The board will continue to review his appointment, with an assessment of the chairman's independence to be conducted on an annual basis.

The deliberation on the independence of the non-executive directors by the board, and DLC Nomdac, included the consideration of the following relationships and associations in regards to these specific directors:

- Ian Kantor is the brother of Bernard Kantor, a former executive director of the group. Ian is also a co-founder and former CEO of the group. Accordingly, the board concluded that Ian could not be considered independent. Ian will not stand for re-election at the 2020 AGM
- Charles Jacobs is the chairman of Linklaters LLP (Linklaters). Linklaters is currently one of Investec's UK legal advisors. The board concluded that, notwithstanding this link, Charles retains independence of judgement. Charles does not form part of the Linklaters team that provides advice to Investec and he has not provided advice to Investec for over a decade. In addition, the selection of legal advisors is not a board matter and is decided at a management level. If any decision were to be made at the board level regarding Linklaters, which has not happened to date, Charles would recuse himself in accordance with the provisions of the relevant Companies Act relating to directors' interests.

Tenure

As identified, the DLC Nomdac considers the guidance set out in the UK Corporate Governance Code, the King IV Code and directive 4/2018 as issued by the South African Prudential Authority, when considering the independence of the non-executive directors, and follows a thorough process of assessing independence on an annual basis for each director.

The DLC Nomdac considers tenure when examining independence, and when discussing the composition of the board as a whole. The board and the DLC Nomdac are mindful that there needs to be a balance resulting from the benefits brought by new independent directors, *versus* retaining individuals with the appropriate skills, knowledge and experience, and an understanding of Investec's unique culture.

The board does not believe that the tenure of any of the independent non-executive directors standing for election or re-election at the annual general meeting in August 2020 interferes with their independence of judgement or their ability to act in the group's best interest.

Diversity

In considering the composition of the board, the board is mindful of all aspects of diversity, including gender, race, ethnicity, religion, age, disability, nationality, political opinion, sensitive medical conditions or sexual preference.

Investec embraces differences as a strength within the group. Having a diverse board is a clear benefit, bringing with it distinct and alternative viewpoints, and mindsets able to challenge the status quo. The board is committed to ensuring that the group meets its governance, social and regulatory obligations regarding diversity. We have a board diversity policy, setting out the targets for board composition in terms of gender and race.

The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of the 2020 calendar year. As at the date of this report, there was a 23% representation of women on the board. The board recognises that more needs to be done to increase the representation of women on the board and remain committed to the target of 33%. Female representation declined in the year, following Kim McFarland stepping down and onto the board of Ninety One (as a result of the demerger of Investec Asset Management). The group has been through significant change over recent years, with the succession of its founder members in October 2018 and the demerger and separate listing of Ninety One in March 2020. As such the DLC Nomdac, to which the board has delegated responsibility for the consideration of the succession plan of the board and the appointment process for the board, believes the new appointments ensure a strong level of continuity and significant internal experience on the board. The DLC Nomdac continues to ensure that appointments and the board's succession plan is based on merit and with regard to objective criteria and, within this context, promote diversity in its broadest sense, including diversity of gender, social and ethnic background, and diversity of thought.

The board also intends to ensure that a minimum of 25% of the board members of Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black women as defined in South African legislation, and that 50% of the board members of Investec Limited and Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black people as defined in the Financial Sector Code or similar legislation that may be in force in South Africa from time to time.

Skills, knowledge and experience

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

The members of the board have a broad range of skills and experience, including in the areas of banking, risk and capital management, commercial, financial, auditing, accounting, legal and technology.

Induction, training and development

On appointment to the board, all directors receive a comprehensive induction which is tailored to the new director's individual requirements. The induction schedule is designed to provide the new director with an understanding of how the group works and the key issues that it faces. The company secretaries consult the chairman when designing an induction schedule, giving consideration to the particular needs of the new director. When a director is joining a board committee, the schedule includes an induction to the operations of that committee.

On completion of the induction programme, the director is equipped with sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing the group, including the key risks, to enable them to effectively contribute to strategic discussions and oversight of the group.

The chairman leads the training and development of directors and the board generally.

A comprehensive development programme is in place throughout the year, and comprises both formal and informal training and information sessions.

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 the group's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member.

The group has a directors' and officers' liability insurance policy that insures directors against liabilities they may incur in the performance of their duties.

On the recommendation of the DLC Nomdac, non-executive directors will be appointed for an expected term of nine years (three terms of three years each) from the date of their first appointment to the board.

All executive directors are engaged on standalone employment contracts, subject to six-month notice periods.

In accordance with the UK Corporate Governance Code, all of the directors retire on an annual basis and those willing to serve again submit themselves for election or re-election at the annual general meeting.

Independent advice

Through the chairman, the SID or the company secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the group. No such advice was sought during the 2020 financial year.

Conflicts of interest

Directors have a responsibility to avoid situations that put, or may be perceived to put, their personal interest in conflict with their duties to the group. The conflicts of interest policy and the board charter require directors to declare any actual or potential conflict of interest immediately when they become aware of such situations. Each director must submit a "declaration of interest" form outlining other directorships and personal financial interests, including those of related parties. Where actual or potential conflicts are declared, the recusal procedure is implemented, and affected directors are excluded from those specific discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

Related parties

The group has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. The DLC Nomdac updated the policy and reviewed key related party transactions during the year ensuring that the appropriate policies had been complied with.

Conduct and Ethics

The board is committed to the highest standards of integrity and ethical behaviour. The board appreciates the importance of ethics and its contribution to value creation and is dedicated to instilling ethical values throughout the group. The board recognises that ethics begin with each individual director's conduct, which if appropriate, will in turn have a positive impact on conduct in the group. Management is responsible for embedding ethical conduct in the organisation which is overseen by the DLC SEC.

Company secretary

David Miller is the company secretary of Investec plc. The company secretary is professionally qualified and has gained experience over many years. His services are evaluated by board members during the annual board evaluation process. 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 secretaries whose appointment and removal are a board matter.

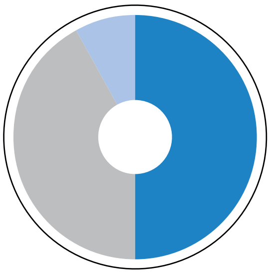
In compliance with the UK Corporate Governance Code and the UK Companies Act, the board has considered and is satisfied that the company secretary is competent, and has the relevant qualifications and experience.

Diversity as at 31 March 2020

Age:

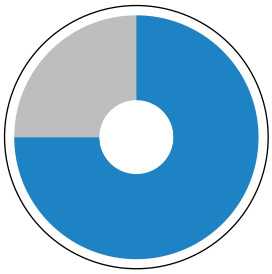
40 – 50	**33%**
51 – 60	**25%**
61 and above	**42%**

Board geographical mix



50% South Africa
42% UK
8% Other

Board gender balance



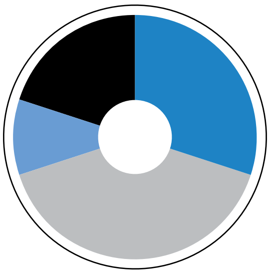
75% Male
25% Female

Tenure as at 31 March 2020

Average length of service for non-executive directors (years):

5

Average tenure for the non-executive directors



30% 0 – 3 years
40% 3 – 6 years
10% 6 – 9 years
20% 9 years plus

What we did

Board report

Role and responsibilities

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

In fulfilling this objective, the board is responsible for:

- Approving the group's strategy
- Acting as a focal point for, and as custodian of, corporate governance
- Providing effective leadership with an ethical foundation
- Ensuring the group is a responsible corporate citizen
- Being responsible for the governance of risk, including risks associated with information technology
- Ensuring the group complies with applicable laws and considers adherence to non-binding rules and standards
- Monitoring performance
- Ensuring succession planning is in place.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain duties to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities. The board has developed a board charter, which serves as the foundation for Investec's governance principles and practices. The charter:

- Outlines the board committees' mandates and specifies which matters are reserved for the board
- Defines separate roles for the group chairman and CEO
- Dictates the board's expectations of the directors, chairmen of the respective board committees and the senior independent director
- Sets out how the corporate governance provisions in the UK Corporate Governance Code, UK Companies Act, King IV Code, the South African Companies Act, the South African Banks Act and the JSE Listings Requirements will be put in place.

Composition and meetings

The board meets at least six times annually, excluding the annual two-day board strategy session. For the period 1 April 2019 to 31 March 2020, three board meetings were held in the UK and three in South Africa, in line with the requirements of Investec's DLC structure. Unscheduled meetings are called as the need arises. Further to the additional meetings held to address the demerger of the Asset Management business, the board had additional unscheduled meetings where it received regular updates and deliberated on the impact of COVID-19. Comprehensive information packs, on matters to be considered by the board, are provided to directors in advance of the meetings.

The board recognises that a balanced board is vital for sustainable value creation. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience, tenure and independence.

Attendance is an important factor in the board's ability to discharge its duties and responsibilities and care is taken in preparing the board calendar to enable meeting attendance. If a director is unable to attend a meeting, an apology is recorded, and if possible, the director makes a written or oral contribution ahead of the meeting.

Board composition as at 31 March 2020

		Board member since		Investec plc (10 meetings in the year)	
Members	**Independent**	Investec plc	Investec Limited	Eligible to attend	Attended
PKO Crosthwaite (chairman)	On appointment	18-Jun-10	18-Jun-10	10	10
F Titi (CEO)	Executive	30-Jan-04	30-Jan-04	10	10
HC Baldock*	Yes	9-Aug-19	9-Aug-19	7	7
ZBM Bassa	Yes	1-Nov-14	1-Nov-14	10	10
D Friedland	Yes	1-Mar-13	1-Mar-13	10	10
PA Hourquebie	Yes	14-Aug-17	14-Aug-17	10	10
CR Jacobs	Yes	8-Aug-14	8-Aug-14	10	9
IR Kantor	No	26-Jun-02	30-Jul-80	10	9
Lord Malloch- Brown KCMG	Yes	8-Aug-14	8-Aug-14	10	10
NA Samujh**	Executive	1-Apr-19	1-Apr-19	10	10
PG Sibiya*	Yes	9-Aug-19	9-Aug-19	7	7
KL Shuenyane	Yes	8-Aug-14	8-Aug-14	10	10
Former directors					
LC Bowden***	Yes	1-Jan-15	1-Jan-15	3	3
CA Carolus***	Yes	18-Mar-05	18-Mar-05	3	3
B Kantor***	Executive	19-Mar-02	8-Jun-87	3	2
S Koseff***	Executive	26-Jun-02	6-Oct-86	3	3
KM McFarland****	Executive	1-Oct-18	1-Oct-18	9	9
HJ du Toit*****	Executive	15-Dec-10	15-Dec-10	9	9

* *HC Baldock and PG Sibiya were appointed to the board on 9 August 2019.*

** *NA Samujh was appointed as group finance director on 1 April 2019.*

*** *LC Bowden, CA Carolus, B Kantor and S Koseff stepped down from the board on 8 August 2019.*

**** *KM McFarland stepped down from the board on 16 March 2020.*

***** *HJ du Toit stepped down as joint group CEO on 16 March 2020.*

^ *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 board.*

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 CEO, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during the year ended 31 March 2020:

BOARD AND COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Group strategy	• considered and approved the strategy to demerge the Asset Management business, Ninety One plc, from the group • formulated and monitored the implementation of strategy, including progress made with regard to agreed strategic initiatives • considered climate related issues when reviewing and guiding strategy • provided constructive challenge to management • considered global trends shaping the financial industry • considered the impact of economic and political developments in the UK • oversaw the changes in management as announced in the preceding and current financial year • deliberated on the impact of the COVID-19 pandemic
Risk and capital, audit, corporate governance and compliance	• received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements • discussed and approved the risk appetite framework • regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from management and the chairman of the DLC BRCC • received and reviewed reports on the group's operational and technological capability, including specific updates on cyber risk capability and the strategy for technology and infrastructure services • received reports in respect of specific risks monitored within the group including updates in respect of General Data Protection Regulation (GDPR), the Advanced Internal Ratings Based (AIRB) approach, the Foundation Internal Ratings Based (FIRB) approach and International Financial Reporting Standards (IFRS) 9, 15 and 16 • deliberated on the risks associated with the COVID-19 pandemic • considered the impact of the King IV Code, the JSE Listings Requirements and the UK Corporate Governance Code, and changes thereto • adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) policy • approved the Recovery and Resolution Plans for the UK • considered and approved the conflicts of interest policy • reviewed the IBP and IBL revised corporate governance structures • considered auditor independence, monitoring of audit quality and related parties' activities, appointment of auditors and mandatory rotation of auditors • considered matters pertaining to service providers implicated in state capture in South Africa • reviewed the group's exposure to state-owned entities and related risk appetite • considered the implications of Brexit on the group • received reports on conduct • oversaw the integrity of the annual financial statements • reviewed and discussed assumptions underlying the recoverability of key exposures and investments including the impacts of IFRS 9 scenarios, probabilities and weightings
Leadership	• considered regular updates by the various committees including the DLC Remuneration Committee, DLC Nomdac, PLC Audit Committee, DLC SEC and DLC BRCC • received and considered comprehensive reports from the executive directors (including strategy execution and performance of the group within the operating environment and competitor landscape) • ensured that policies and behaviours/tone set at board level were effectively communicated and implemented across the group

Areas of focus	*What we did*
Effectiveness	• considered the process for the 2019 board effectiveness review • discussed the recommendations of the board effectiveness review • implemented the recommendations of the board effectiveness review • finalised topics for directors' development sessions
Remuneration	• received a report from the DLC Remuneration Committee chairman at each meeting including regulatory developments pertaining to remuneration • further to the transition of leadership, considered remuneration arrangements for both the incoming and outgoing executive directors • received updates from the DLC Remuneration Committee, in respect of the evolving response to executive and non-executive remuneration, in light of COVID-19 • oversaw the implementation of the remuneration policy • considered the UK Gender Pay Gap report
Relations with stakeholders	• in order to ensure satisfactory dialogue with stakeholders, and to foster strong and open relationships with regulators, the board noted and discussed the key areas of feedback from these stakeholders, including feedback relating to: – board refreshment and succession – succession planning for the executive directors and senior management – remuneration of executive directors and non-executive directors – regular meetings and open dialogue with regulators – engagement with the Registrar of Banks, UK Prudential Regulatory Authority and the South African Prudential Authority – the group's contribution to the political economy – reports on allegations of widespread public and private sector corruption in South Africa, and its impact on the group's clients and service providers – improving returns across the business – the extensive processes to monitor the external auditors and audit quality, and plans in respect of Mandatory Auditor Firm Rotation
Corporate citizenship	• discussed and monitored the various elements of good corporate citizenship including: – climate related risk and opportunities – environmental, social and governance (ESG) issues within our operations and within our business – the promotion of equality, the prevention of unfair discrimination and the reduction of corruption – sponsorships, charitable donations and charitable giving – environmental, health and public safety, including the impact of the group's activities and of its products and services – consumer relationships including the group's advertising, public relations and compliance with consumer protection laws – labour and employment including the group's standing in terms of the international labour organisation protocol on decent work and working conditions, employment relationships and its contribution towards the educational development of its employees – the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced – the promotion of the role Investec plays in society, including contributions by directors and staff to the Solidarity Fund in South Africa, in response to the COVID-19 pandemic – the board's oversight of the group's culture – material concerns, if any, raised by employees or former employees

Areas of focus	*What we did*
Board committee composition and succession planning	• considered and confirmed the independence of the non-executive directors having regard to factors that might impact their independence • discussed succession planning including an update on senior management succession • received reports on the composition of the boards of the key subsidiaries of Investec plc • deliberated on reports on suggested changes to the group's governance arrangements • considered reports on suggested changes to IBP's governance arrangements • received reports from the DLC Nomdac at each meeting covering the matters within its delegated authority for review and consideration
Financial results, liquidity, solvency and viability statement	• considered, reviewed and approved the financial results for the year ended 31 March 2020 for Investec plc • considered, reviewed and approved the financial results for the half year ended 30 September 2019 for Investec plc • assessed, confirmed and satisfied itself of the group's viability (i.e. its ability to continue in operation and meet its liabilities considering the current position of the group, the board's assessment of the group's prospects and the principal risks it faces) • approved the group's viability statement • assessed, confirmed and satisfied itself, on the recommendation of the PLC Audit Committee, that it was appropriate for the financial statements to be prepared on a going concern basis • considered, reviewed and approved, on the recommendation of the PLC Audit Committee, that the annual report and the financial statements for the financial year ended 31 March 2020 were fair, balanced and understandable • confirmed that the group was liquid and that the solvency and liquidity test has been satisfied (i.e. a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances at that time: the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of: – 12 months after date on which the test is considered; or – in the case of a dividend, 12 months following the distribution) • confirmed that adequate resources existed to support the group on a going concern basis and accordingly adopted the going concern basis considered the impact of COVID-19 • considered and approved capital plans
Management succession	• considered matters relating to board succession and approved appointments to the board and board committees • maintained oversight of the continued orderly transition from the founding members to the new management in accordance with the approved succession plan
Terms of reference and policies	• reviewed and received regular updates in respect of the various committees' terms and references and policies within the group

DLC Nominations and Directors' Affairs Committee report

I am pleased to present you with the report for the DLC Nomdac (the committee) for the financial year ended 31 March 2020.

As set out in my introduction to the Corporate Governance report on page 118, there have been a number of changes to the board during the year, all of which have been overseen by the committee.

The committee undertook a thorough recruitment process to identify and assess candidates, which resulted in the appointment of two new non-executive directors: Henrietta Baldock and Philisiwe Sibiya, who were appointed to the board on 9 August 2019. While selected on the basis of their strong financial services experience and skills, these two appointments help meet our continuing commitment to a diverse board.

The committee oversaw the planned transitions within our leadership team, with the appointment of Nishlan Samujh as group finance director, the departures of Hendrik du Toit and Kim McFarland, following the demerger of the Asset Management business, the appointments of David van der Walt and Ciaran Whelan as executive directors, the proposed appointment of Richard Wainwright (subject to regulatory approval) and the retirement of David from the group.

As can be seen from these changes, the committee continued to focus on succession planning for the board and senior management, including that of the group's key subsidiaries, building on the work undertaken in previous years.

The committee oversaw the internal board effectiveness review, which took the form of a self-assessment questionnaire, followed by one to one meetings. We also considered, and recommended to the board, actions arising from the previous externally facilitated review undertaken by Professor Robert Goffee.

Please refer to the report on the following pages for details of all the material matters considered by the committee in the last year.

Committee performance

The effectiveness of the committee was assessed as part of the annual effectiveness review of the board. The findings of this review, which were considered by the committee, found that the committee had met its key objectives and carried out its responsibilities effectively.

Looking ahead

In 2020 / 2021, the committee will continue to review the composition of the board and the board committees, with a view to ensuring the progressive refreshment of the members of the board. In considering the composition of the board, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge.

PKO Crosthwaite

Perry Crosthwaite
Chairman of the DLC Nomdac

17 June 2020

We aim to ensure that the board comprises a talented and diverse range of people, aligned with our culture and values, with the collective skills and experience necessary for the group to meet its objectives and strategic goals

DLC Nomdac

Perry Crosthwaite
Chairman of the DLC Nomdac

Key achievements in FY 2020

- Oversaw the recruitment and appointments of Henrietta Baldock and Philisiwe Sibiya as non-executive directors
- Considered the succession plans for the board and senior management
- Considered the annual effectiveness review, and the actions arising from the previous externally facilitated review

Areas of focus in FY 2021

- Review the composition of the board and the principal board committees
- Review the knowledge, skills and experience, and diversity of the board
- Consider the succession plans for the board and senior management

Role and responsibilities

The committee is an essential part of the group'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 thought, gender, social and ethnic background, and personal strengths
- maintaining the board directorship continuity programme, including the consideration of the annual board performance evaluation process

Composition and meetings

The committee comprises a majority of independent non-executive directors of the board, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the committee.

The board has agreed, in principle, that the chairman of the group's key governance committees (Audit, Board Risk and Capital, Remuneration and Social and Ethics) be appointed to the DLC Nomdac, to ensure that their input is considered, when the committee discusses the composition of the group's key governance committees, and the proposed appointments to these committees.

As IBL does not have an independent Nominations and Directors' Affairs Committee, it was agreed that Khumo Shuenyane, the chairman of IBL, and Peter Thomas, a non-executive director of the IBL board, be appointed members of the DLC Nomdac. Peter Thomas will not stand for re-election as a non-executive director of IBL at the 2020 AGM of IBL, and as a result, will step down as a member of the committee with effect from 6 August 2020.

During the financial year ended 31 March 2020, the DLC Nomdac met six times. Attendance by members at committee meetings is shown below.

		DLC Nomdac (6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
PKO Crosthwaite (chairman)	16-Sep-14	6	6
ZBM Bassa	1-Apr-17	6	6
D Friedland	16-Sep-14	6	6
PA Hourquebie	15-May-18	6	6
Lord Malloch-Brown	15-May-18	6	6
KL Shuenyane	15-May-18	6	6
PRS Thomas*	9-Sep-10	6	6

* *PRS Thomas is the representative of IBL.*

^ *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 DLC Nomdac works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

COMMITTEE ACTIVITIES

Areas of focus	What we did
Board and board committee composition	• 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 • concluded that the skills, knowledge and experience of the directors were appropriate for their responsibilities and activities • engaged our independent external search firms Russell Reynolds and Woodburn Mann, neither of which has any connection to the group or any of the directors other than to assist with searches for executive and non-executive talent, to assist in the search for independent non-executive directors with the relevant skills and experience • agreed on the following matters: – Laurel Bowden stepping down from the board at the 2019 AGM – Cheryl Carolus stepping down from the board at the 2019 AGM – Stephen Koseff stepping down from the board at the 2019 AGM – Bernard Kantor stepping down from the board at the 2019 AGM – the appointment of Nishlan Samujh as group finance director – the appointment of Henrietta Baldock as a non-executive director – the appointment of Philisiwe Sibiya as a non-executive director – Kim McFarland stepping down from the board, following the demerger of the Asset Management business – Hendrik du Toit stepping down from the board, following the demerger of the Asset Management business – the appointment of David van der Walt as an executive director – the appointment of Ciaran Whelan as an executive director – the proposed appointment of Richard Wainwright as an executive director (subject to regulatory approval) – David van der Walt stepping down from the board, and retiring from the group – Ian Kantor stepping down from the board at the 2020 AGM • considered the board suitability policy • considered the appointment of potential new directors to the board
Succession planning	• considered the succession plans for the board and senior management • conducted formal succession appraisals for all key positions • reviewed the succession pipeline for executive management, with a view to ensuring that the group was continuing and will continue to increase the internal pool of talented and skilled individuals by providing opportunities for individuals to develop and grow within the organisation
Subsidiary board and board committee composition	• received reports on the board composition of the group's key subsidiaries including: – Investec Bank plc – Investec Bank Limited – Investec Wealth & Investment Limited – Investec Securities Proprietary Limited – Investec Life Limited • reviewed the composition of the boards and board committees of each of the group's key subsidiaries, including consideration of any vacancies, new appointments or changes that would enhance the effectiveness of the respective boards, with regard to group oversight, governance, local regulatory or legal requirements, and best practice, with a view to ensuring that there was an appropriate level of independent scrutiny at subsidiary level. The following matters were accordingly agreed: – appointment of Ruth Leas as CEO of IBP – appointment of Kevin McKenna as chief risk officer (CRO) of IBP – appointment of Alistair Stuart as chief operating officer (COO) of IBP – appointment of Chris Meyer as an executive director of IBP – appointment of Ryan Tholet as an executive director of IBP – appointment of Morris Mthombeni as a non-executive director of IBL – appointment of Geoffrey Qhena as a non-executive director of IBL

Areas of focus	What we did
Independence	• considered the independence of the non-executive directors, with regard to: – directors who had served on the boards for a period longer than nine years – other factors that might impact their independence – the director's contribution at board meetings and whether they in fact demonstrated independent challenge • specifically considered and confirmed that Ian Kantor can not be considered independent as co-founder, former CEO of the group, and brother of former executive director Bernard Kantor. Ian will not stand for re-election at the 2020 AGM • specifically considered the independence of Charles Jacobs, who is the chairman of Linklaters LLP, a legal advisor to Investec UK, and concluded that it was satisfied that he retained independence of judgement and should be regarded as an independent non-executive director
Diversity and inclusion	• considered the diversity of the board and senior management, including the individuals noted as potential successors • discussed the potential impact on the diversity of the board when considering potential candidates for appointment to the board • reviewed the board diversity policy
Related parties	• investigated potential conflicts in respect of specific directors' transactions • considered and approved the director's disclosure conflicts of interest policy • reviewed the register of directors' interests
Directors' development	• considered dates and topics for future directors' development training and identified the key topics affecting the business

Board effectiveness review

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one on one meetings with the chairman.

The directors each completed the questionnaire, prior to meeting individually with the chairman. The questionnaire covered a range of topics, including board effectiveness, the balance of skills and experience, board and board committee composition, governance, information availability and culture. The interviews that followed, were broad-ranging, and designed to provide additional context to the questionnaire responses.

The findings were collated and presented to the committee at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall the board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework.

The review identified the particular strengths of the board to be the composition of the board, including the balance of non-executive to executive directors and the differentiation of the chairman and chief executive roles, and the role of the non-executive directors.

Notwithstanding the strengths, the committee discussed the areas for potential improvement. These included an increased focus on culture, strategy and succession planning at the board, and further consideration of the knowledge, skills, experience and diversity of the board.

The committee will continue to monitor the actions resulting from the board effectiveness review as the year progresses.

DLC Social and Ethics Committee report

I am pleased to present the report of the DLC Social and Ethics Committee (DLC SEC or the committee) for the financial year ended 31 March 2020. We consider the views of a wide range of stakeholders on a variety of environmental, social and governance (ESG) matters. It is this committee's responsibility, along with the board, to ensure the group is operating in an ethical, compassionate and sustainable manner.

Over the past year, there was a continued strong focus by the committee on staff developments and, in particular, on equity and inclusion. The group made good progress in terms of our transformation initiatives and employment equity targets and diversity remains a priority across all regions. Towards the end of the period, we were proud of how the group's leaders took swift action to respond to the COVID-19 pandemic and the care that was shown for employees and communities around the world.

Another key topic of focus in the past year was the environment and climate change. We were pleased to see the group achieve carbon neutral status and the committee was able to approve a public group fossil fuel policy, addressing a key stakeholder concern. The group continued to demonstrate commitment to the United Nations (UN) Sustainable Development Goals (SDGs), reinforced by Fani Titi's personal commitment to the UN Global Investors for Sustainable Development (GISD).

The following pages detail the material matters considered by the committee in the last year. For further information concerning the group's approach to sustainability, please refer to page 37.

Committee performance

The performance of the committee was assessed as part of the annual effectiveness review of the board. The results show that the committee has continued to function well.

Looking ahead

The committee will continue to monitor the key sustainability aspects of the group in accordance with best practice. We expect to see progress in a number of areas including the integration of sustainability into business strategy, climate-related and general ESG disclosures including the Task Force on Climate related Financial Disclosures (TCFD), and reporting on our priorities in terms of the UN SDGs. In addition, emphasis will be placed on business resilience and those activities that contribute to a more sustainable, low-carbon world.

Mark Malloch. Brown

Lord Malloch-Brown
Chairman of the DLC SEC

17 June 2020

It is our duty and care to ensure that the group is behaving responsibly from a commercial, social and environmental perspective so we remain a sustainable and ethical organisation

DLC SEC

Lord Malloch-Brown
Chairman of the DLC SEC

Key achievements in FY 2020

- The chairman of the committee, Lord Malloch-Brown, presented on the South African Prudential Authority's Flavour of the Year Topic, namely the Creation and Institutionalisation of a culture of Ethics and Awareness
- Fani Titi, group CEO, joined the Secretary General of the UN CEO Alliance on GISD
- Reconstituted the committee with new members bringing relevant ESG experience
- Supported members of the group executive team assuming executive responsibility for driving sustainability across the organisation
- Strengthened the committee terms of reference to include greater focus on environment and climate-related issues

Areas of focus in FY 2021

Review and monitor progress:

- To integrate sustainability into group strategy and business
- In respect of climate and general ESG-related policies and disclosures
- On our priorities in terms of the UN SDGs, which are to enable access to clean water and affordable energy, to provide access to quality education, to support economic growth and job creation, to build and support infrastructure solutions and to fund sustainable cities and stronger communities
- With sustainability products and services offered
- With gender and diversity targets and performance
- In terms of business resilience and COVID-19 impacts on our people, clients and communities

Role and responsibilities

The DLC SEC is an essential part of the group's governance framework to which the board has delegated the following key functions:

- Overseeing the group's climate policies, processes and response to climate related matters
- Ensuring that the group promotes social and economic development, including the application of the UN Global Compact Principles and the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption
- Monitoring the group's behaviour as a corporate citizen, including the consideration of the group's promotion of equality, prevention of discrimination and reduction of corruption
- Monitoring the group's application of the South African Employment Equity Act, the South African Broad-Based Black Economic Empowerment Act and the Financial Sector Code, and adherence to the requirements of the South African Companies Act, through the committee's terms of reference
- Overseeing ethical business practices
- Improving our ESG policies and practices.

Composition and meetings

The committee comprises of independent non-executive directors and 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. The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act, and its associated regulations.

During the financial year ended 31 March 2020, the DLC SEC met three times and attendance by members at committee meetings is shown below.

		DLC SEC (3 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
Lord Malloch-Brown KCMG (chairman)	08-Aug-14	3	3
CA Carolus*	17-May-12	1	1
HJ du Toit**	12-Mar-19	3	3
B Kantor*	17-May-12	1	0
S Koseff*	17-May-12	1	1
KL Shuenyane***	09-Aug-19	2	2
PRS Thomas****	17-May-12	3	3
F Titi	12-Mar-19	3	3

* *CA Carolus, B Kantor and S Koseff stepped down from the committee with effect from 8 August 2019.*

** *HJ du Toit stepped down from the committee with effect from 16 March 2020.*

*** *KL Shuenyane was appointed to the committee with effect from 9 August 2019.*

**** *PRS Thomas is a representative of IBL.*

^ *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.*

Other invited attendees

- Head of group sustainability
- Head of organisational development
- Head of human resources
- Head of investor relations
- Head of Asset Management#
- Head of Specialist Bank SA
- Head of Specialist Bank UK
- Head of Wealth & Investment SA
- Head of Wealth & Investment UK

Attended until the January 2020 meeting.

How the DLC SEC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described below.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Social and economic development, including human rights	• monitored the group's standing in terms of the goals and purposes of the UN Global Compact Principles, with respect to human rights, labour, the environment and anti-corruption • gained comfort that the group and its subsidiaries adhere to the relevant laws in the jurisdictions in which they operate and strive to advance the UN Global Compact Principles within its sphere of influence • reviewed the communication of progress to the UN on the group's adherence to the UN Global Compact Principles • monitored the group's adherence to the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption • reviewed the group's progress in relation to the Youth Employment Services (YES) initiative, noting that as part of our commitment to job creation and transformation in South Africa, over 1 400 youths were placed with 11 partners as part of our commitment to the YES programme
Climate risks and opportunities	• considered the impact of climate change and the importance for various stakeholders • monitored the groups adherence to the relevant climate-related disclosures (including the TCFDs) • supported the climate neutral status that the group achieved in 2020 • approved a public group fossil fuel policy
Sustainable Development Goals (SDGs)	• challenged the core priorities with regards to the UN SDGs, assessed their relevance and monitored the performance in terms of the goals for the group • supported Fani Titi's invitation to join the Secretary General of the UN CEO Alliance on the Global Investors for Sustainable Development (GISD)
Good corporate citizenship	• discussed the key elements of good corporate citizenship • reviewed the group's record of sponsorship, community donations, political donations and charitable giving • satisfied itself that the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced • participated in a number of sustainability indices and were recognised as one of the industry members on the Dow Jones Sustainability Investment (DJSI) World Indices and the DJSI Europe Indices • noted that Investec Limited had been recognised as one of four industry members in the DJSI Emerging Markets Indices.
The South African Employment Equity Act	• monitored compliance with the relevant legislation • monitored progress made towards the group's employment equity plans • engaged with the management of human resources to address challenges around matters such as diversity and employment equity targets • engaged with members of the employment equity forum • monitored and reviewed diversity across the group and considered any regulatory developments in this regard • satisfied itself that the group did take the appropriate measures in order to comply with the relevant legislation

Areas of focus	What we did
The South African Broad-Based Black Economic Empowerment Act and the Financial Sector Code	• monitored compliance with the relevant legislation • considered the group's empowerment rating • gained comfort that the group had taken the appropriate measures in order to comply with the legislation
Contribution to the development of communities	• monitored the group's activities in contributing to the development of communities • received regular reports on the group's community investment initiatives • satisfied itself that the group contributed to the development of communities
Talent retention and attraction of employees	• received regular reports and updates from the careers team on our talent management strategy including internal mobility • monitored the performance of a number of our graduate, internship and exposure programmes and continued to support the investment in developing and upskilling our employees
Culture and ethics	• received regular reports on the group's activities in respect of programmes offered to enhance its core values which include unselfishly contributing to society, valuing diversity and respecting others • satisfied itself that the group's core values had a positive impact on the success and wellbeing of local communities, the environment and on overall macro-economic stability, as well as the long term success of the company
Other	• supported the appointment of members of the group executive team, with responsibility for integrating sustainability into business strategy • monitored the work done to assess our ESG exposures • reviewed the products and services offered with a sustainability impact (for example, clean energy private equity fund and the Investec Environmental World Index Autocall) • supported the swift business resilience response to COVID-19 and its impacts on our people, clients and communities

PLC Audit Committee report

I am pleased to present the report of the PLC Audit Committee (the committee) for the financial year ended 31 March 2020.

The report will address the role and the key areas of focus of the PLC Audit Committee. In addition to outlining the structure of the Investec group's Audit Committees, some insights are included on how decisions are made and where judgement was applied to conclude on significant matters during the financial period.

PLC Audit Committee and the DLC BRCC

The PLC Audit Committee and the DLC BRCC, which serves as the Risk and Capital Committee for Investec Limited and Investec plc, are chaired by different independent non-executive directors. David Friedland chairs the DLC BRCC. The PLC Audit Committee and the DLC BRCC continue to capture all significant issues effectively while minimising any overlap. These committees have met all legal and regulatory requirements from a composition and independence perspective. Given the synergies and nature of matters considered by the committees, their membership is such that an element of commonality persists. The PLC Audit Committee chair and members are also members of the DLC BRCC.

The PLC Audit Committee and the DLC BRCC work closely together in fulfilling their objectives.

Committee performance

The performance of the PLC Audit Committee was assessed as part of an internal board effectiveness evaluation process and it was concluded that the committee continues to function effectively.

Looking ahead

In advancing the PLC Audit Committee efforts of the prior year, focus will continue to be centred on the impact, oversight, governance and disclosure in relation to IFRS 9.

In addition, there will be continued consideration of the independence of the internal auditor, the external auditor and audit quality measures.

The PLC Audit Committee will furthermore continue to focus on the combined assessment of the impact of COVID-19 on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position.

Transparent disclosure is the cornerstone for the long-term success and sustainability of our business

PLC Audit Committee

Zarina Bassa

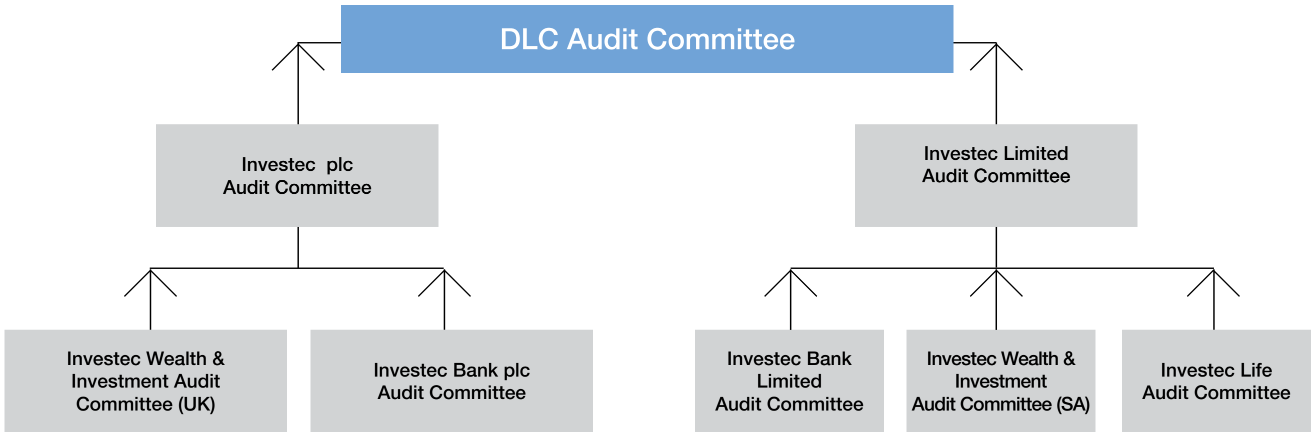
Chair of the PLC Audit Committee

Key areas addressed in FY 2020

- Considered the accounting and operational impact of COVID-19 and mitigating steps taken, including going concern, liquidity and viability
- Oversaw the impact, governance and disclosure as it relates to IFRS 9. A specific focus was placed on the impact COVID-19 had on the application of IFRS 9
- Oversaw the regulatory compliance and the resulting accounting of the demerger of Asset Management
- Monitored audit quality and audit partner accreditation looking at results of firm and engagement partner regulator reviews and/or internal quality control
- Considered the external auditor's independence
- Monitored close out of internal and external audit findings
- Held joint meetings with the DLC BRCC to cover changes to the IFRS 9 macro-economic scenarios and probabilities for 2020 and the impact of COVID-19
- Reviewed succession for key internal audit members
- Oversight over regulatory compliance and the compliance programme
- Conducted an External Quality Assurance Review (EQAR) of internal audit
- Revised the policy on non-audit services
- Considered key risk and reporting exposures faced by the group

Key focus areas for FY 2021

- Consider the impact of COVID-19 and mitigating steps taken in this regard, including impacts on business resilience, liquidity and credit loss provisioning
- Consider the appointment of external auditors
- Monitor external audit quality and independence
- Continue to focus on the judgements, oversight, governance and disclosure of the consequences of IFRS 9
- Continue to effectively communicate with the chairs of audit committees of subsidiaries including attendance at sub-committees
- Evaluate the effectiveness of the internal audit function
- Oversee, together with the DLC BRCC, the management of IT Risk and cyber security through the IT Risk and Governance Committee
- Focus on ensuring that the group's financial systems, processes and controls are operating effectively and evolve with the changes in the industry
- Consider the implication of changes in accounting standards and regulatory requirements and how management intends to implement
- Continue to exercise oversight over subsidiary audit committees in remote locations



Structure of the Investec group's Audit Committees

In terms of the DLC structure, the DLC board has mandated authority to the DLC Audit Committee to be the Audit Committee of the Investec group. The DLC Audit Committee oversees and considers group audit-related matters and has responsibility for audit-related matters that are common to Investec plc and Investec Limited, and works in conjunction with these two committees to address all Investec group reporting.

The Investec plc board has mandated authority to the Investec plc Audit Committee, and the Investec Limited board has mandated authority to the Investec Limited Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees, and the IAM Global Audit Committee up to the point of the demerger, report to the Investec plc Audit Committee and the IBL and IW&I (SA) Audit Committees report to the Investec Limited Audit Committee. The DLC Audit Committee chairman chairs each of the Investec plc, Investec Limited and Investec Bank Limited Audit Committees.

The committee receives regular reports from the group's subsidiary Audit Committees as part of the oversight of subsidiary Audit Committees. The DLC Audit Committee chair is also the chairman of the Investec Bank Mauritius (IBM) and Investec Bank Limited (IBL) Audit Committees and a member of the Investec Bank plc and Investec Life Audit Committee.

Role and responsibilities

The PLC Audit Committee is an essential part of the group's governance framework to which the board has delegated the following key functions:

- Overseeing the group's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Appointing, managing and overseeing the relationship with the group's external auditors, including the quality control, effectiveness and independence of the external audit function
- Reviewing the group's internal controls and assurance processes, including those of internal audit
- Manage and oversee the performance, conduct, quality and effectiveness of the group's internal audit functions
- Oversight of group compliance
- Overseeing the group's subsidiary Audit Committees, including in remote locations
- Determining the fees to be paid to external auditors
- Managing the level and nature of non-audit services provided by the auditors
- Dealing with any concerns from outside and inside Investec regarding accounting, reporting and financial control.

Composition and meetings

The PLC Audit Committee is comprised entirely of independent non-executive directors who must meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nomdac, which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the PLC Audit Committee has the appropriate balance of knowledge and skills for them to discharge their duties. In particular, all of the members are chartered accountants and by virtue of their experience in the banking, financial services, financial management and audit sectors, the members collectively have the competence relevant to the sector in which the group operates. Further details of the experience of the members can be found in their biographies on pages 122 to 125.

Meeting schedule and attendance

- During the financial year ended 31 March 2020, the DLC Audit Committee, met four times during the year.
- The committee further met during the year to sign off on the Annual Financial Statements of Investec plc.
- A regulatory and accounting update session was held by the committee with Ernst & Young to ensure that the committee keeps abreast of all current and impending developments.
- A combined meeting with the DLC BRCC was held in February 2020 to discuss changes to the IFRS9 scenarios and probabilities for 2020 with a further update to scenarios in April 2020 to cover the impact of COVID-19.
- Audit quality meetings were held with the DLC auditors, Ernst & Young LLP and Ernst & Young Inc., and the Investec plc auditors, Ernst & Young LLP to consider and conclude on Audit quality.

		Investec plc Audit Committee (4 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
ZBM Bassa (chair)	1-Nov-14	4	4
LC Bowden*	11-Dec-18	2	2
PA Hourquebie	14-Aug-17	4	4
PG Sibiya**	9-Aug-19	2	2

* *LC Bowden stepped down from the Investec plc Audit Committee with effect from 8 August 2019.*

** *PG Sibiya was appointed as a member of the Investec plc Audit Committee with effect from 9 August 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.*

Other regular attendees

- Joint chief executive officers of the group #
- Head of risk
- Group finance director
- Heads of internal audit
- Heads of finance
- External auditors
- Group company secretaries
- Heads of IBP and IW&I
- Head of corporate governance
- Heads of compliance – IBP and IW&I
- Head of tax.

Fani Titi became the sole chief executive officer on 16 March 2020 following the demerger of the Asset Management business from the group.

Areas covered by the PLC Audit Committee

The significant matters addressed by the committee during the financial year ended 31 March 2020, and in evaluating the annual report and financial statements are described on the following pages.

Key audit matters

Key audit matters, are those matters in the view of the PLC Audit Committee that:

- Required significant focus from the committee;
- Were considered to be significant or material in nature requiring exercise of judgement; or
- Matters which were otherwise considered to be subjective from an accounting or auditing perspective.

The following key audit matters were deliberated by the PLC Audit Committee during the year:

Key Audit Matters	*What we did*
Impact of COVID-19 • The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the impact it will have on the world economy	• Considered the known impact of Covid-19 on the economy in both geographies and the resulting impact on the applicability of the scenarios, the judgements and estimates used by management to prepare the annual financial statements • The areas most impacted by COVID-19 include: – going concern and the viability statement including liquidity – expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities and staging) – impact on quality of earnings – fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures the steps taken by the committee to consider these are specifically addressed below
Compliance with COVID-19 guidance provided by regulators and standard setters in the UK • As part of the response to the COVID-19 global pandemic, banking regulators in the UK issued guidance and revised regulations regarding the application of accounting principles, liquidity and capital management	• Received and reviewed a memorandum prepared by Investec management summarising the guidance issued in all jurisdictions and how management intends to comply with this guidance • Through the review of the ECL process, confirmed the application of the guidance on the accounting principles to be applied • Through participation of audit committee members on the remuneration committee and the board of directors, confirmed that there will be no cash bonus payments to executive management and that a dividend will not be declared
Accounting for the demerger of Investec Asset Management • In September 2018, the directors announced their intention to demerge the Asset Management (rebranded Ninety One) business and on 16 March 2020 the demerger was completed. Subsequent to the demerger the Investec group holds a 25% investment in Ninety One which is accounted for at the Investec group level as an associate and as an investment holding of 16.26% at an Investec plc level	• Reviewed the initial impact valuation of Investec Asset Management as performed by a professional external valuation specialist • Received regular updates on the demerger from group finance, group tax and legal to enable it to evaluate the appropriateness of the accounting and the regulatory and legal compliance of the demerger • Considered the appropriateness of accounting principles applied to account for the demerger and of the disclosures of the transaction • Reviewed the technical accounting memorandum prepared by group finance • Convened a special audit committee meeting to approve the accounting principles applied in the preparation of the circular and the content of the circular issued • Reviewed and confirmed the appropriateness of the accounting treatment of the demerger and the gain thereon, and the accounting treatment of the remaining holding as an associate at an Investec group level and as an investment at an Investec plc level

Key Audit Matters	*What we did*
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure • For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental	• received presentations on the material investments across the group including an analysis of the key judgements and assumptions applied and approved the valuation adjustments proposed by management for the year ended 31 March 2020 • challenged and debated significant subjective exposures and assumptions including: – the valuation principles applied with the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles – fair value of exposures in industries highly affected by COVID-19 – management's plans for work out of such exposures, client history, geographical and sectoral exposure and assumptions around collateral valuation and debt restructures – the appropriateness of the IFRS 13 disclosures on fair value
Uncertain tax and legal matters • considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions	• received regular updates from group tax, group finance and legal on uncertain tax and legal matters to enable it to probe and consider the matters, and evaluate the basis and appropriateness of the accounting treatment • analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax provisions as required by International Financial Reporting Interpretations Committee (IFRIC) 23 • concluded on the appropriateness of the IAS37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment
Impairment of investments in associates • evaluated the appropriateness of the carrying amount of investments in associates measured at amortised cost	• received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across the group addressing the appropriateness of the carrying value of the investments and the impairment assessment performed by management. This included an analysis of the key judgements and assumptions applied • evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied
Going concern and the viability statement • the directors are required to confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future	• undertook an assessment on behalf of the board, and recommended to the board that it was appropriate for the financial statements to be prepared on a going concern basis • in this process considered reports on the group's budgets and forecasts, profitability, capital, liquidity and solvency, scenario stress testing and the impact of legal proceedings; if any • considered the results of various stress testing based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec to continue as a going concern • specifically, as part of the demerger approval process, concluded that following the demerger of the Asset Management business from the Investec group, the group would have adequate resources to continue as a going concern for the foreseeable future • jointly with the DLC BRCC, assessed the reasonableness of and approved the Investec group viability statement based on three-year capital plans produced by management. This process also entailed a review and conclusion on the Investec plc viability statement incorporating input from the subsidiary audit committees

Key Audit Matters	*What we did*
Expected credit loss (ECL) assessment • The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impacts in the UK have resulted in additional key judgements and assumptions being made during the current year	• challenged the level of ECL and the assumptions used to calculate the ECL provisions held by the group • reviewed and monitored the group's calculation of expected credit losses, trends in staging changes, model changes, scenario updates, post-model adjustments, potential indicators of significant increase in credit risk (SICR) and volatility. Specific review and consideration was given to the macroeconomic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions • convened a dedicated combined audit and risk committee meeting to consider economic scenarios adjusted for the forecasted potential impact of COVID-19, probabilities and weightings, principles applied, changes to governance over models and ECL principles applied • assessed ECL experienced against forecast, and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors' highly impacted by COVID-19, the legacy portfolio and exposures which are specifically affected by the negative current macro-economic environment • evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • assessed the appropriateness of the ECL provision raised by the group for large exposures in entities publicly perceived to be in financial distress • reviewed the appropriateness of the management overlay. The overlay was calculated by applying a weighted consideration of two macro-economic scenarios to account for the impact of COVID-19. The committee specifically scrutinised the assumptions applied in the COVID-19 short and the COVID-19 long scenario
Accounting for equity linked notes and deposit products issued by the Structured Products Desk in the UK • Investec issues equity linked notes and deposit products through the Structured Products Desk in the UK. These products require complex accounting principles to be applied and involve a degree of subjectivity surrounding the inputs to their valuations	• received and reviewed a technical accounting memorandum prepared by group finance on the accounting treatment of the equity linked notes and deposits. This included an analysis of the key judgements and assumptions applied • evaluated the appropriateness of the disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied • received confirmation from external audit on the appropriateness of the accounting treatment

Key Audit Matters	What we did
Accounting for strategic actions completed by the Group • Investec elected to separately disclose the financial impact of certain strategic actions including the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, it was considered appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement	• received and reviewed a technical accounting memorandum prepared by group finance on the appropriateness of the classification and measurement of the strategic actions. This included an analysis of the key judgements and assumptions applied • evaluated the appropriateness of the disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied • considered the impact of such items on the quality of earnings
External audit, audit quality and mandatory audit firm rotation (MAFR)	• managed the relationship with the external auditors including their appointment • considered and approved a revised policy in respect of non-audit services rendered by external audit • pre-approved all non-audit services provided by external audit and confirmed the services to be within the approved non-audit services policy • assessed the independence and objectivity of the external auditors • met with key members of Ernst & Young LLP prior to every audit committee, to discuss the 2019/2020 audit plan, key areas of focus, findings, scope and conclusions • met separately with the leadership of Ernst & Young LLP to discuss auditor accreditation, independence, firm quality control, results of internal and external inspections and audit quality • met separately with the leadership of KPMG Inc. and KPMG International. KPMG LLP have been the external auditors of IW&I (UK), and KPMG Inc. and KPMG LLP have been the auditors of Investec Asset Management up to the point of the demerger. Addressed auditor accreditation, independence, firm quality control, results of internal and external inspections and audit quality • discussed external audit feedback on the group's critical accounting estimates and judgements. Noted the increased involvement of specialists from the audit firms in the more complex matters in the current year • discussed the external auditor's draft report on specific control areas and the control environment ahead of the 2020 financial year end. The committee considered and discussed with the auditors accounting in respect of significant accounting transactions such as the IAM demerger, structured products and the run down of the Hong Kong branch. • the committee approved the external audit plan, audit fee and the main areas of focus • had a closed session with the auditors without management Additional information regarding the procedures performed by the committee on external audit and the audit rotation plan is provided on page 155

Other matters considered by the PLC Audit Committee:

Apart from financial reporting matters, the committee has responsibility for oversight of the effectiveness of the group's internal controls, the appointment, performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditors. The committee considered the following matters during the financial year ended 31 March 2020:

Area of focus	*What we did*
IFRS	• reviewed the impact of the first-time adoption of IFRS16 and IFRIC 23 and the related disclosures • The 2018 annual financial statements of the Investec group were subject to a review by the FRC. The outcome of the review confirmed compliance with IFRS and regulatory disclosure requirements
Related Party Disclosures	• considered and reviewed related party disclosures in relation to the group • DLC Nomdac reviewed key related party transactions during the year and ensured that policies are being complied with
Regulatory Compliance and Reporting	• received regular reports from the IBP and IW&I regulatory compliance functions and their respective Audit Committees and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings by the external auditors and regulator
Post-balance sheet disclosure	• considered the need for post-balance sheet disclosures. Specifically considered the impact of COVID-19 in the affected jurisdictions that Investec operates in
Viability Statement	• assessed the reasonableness of and approved the viability statement in a specfically convened combined meeting with DLC BRCC
Fair, balanced and understandable reporting • the group is required to ensure that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the group'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 • obtained input and assurance from the external auditors • the committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2020 were appropriate in ensuring that those statements were fair, balanced and understandable • the committee recommended to the board that the 2020 annual report and financial statements were fair, balanced and understandable.
Internal controls • the effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans	• attended and received regular reports from the DLC BRCC. Based on this reporting, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • reviewed reports from the Independent Audit Committees of the Asset Management business (up until the demerger) and Investec Wealth & Investment, both of which are attended by the committee chair • evaluated reports on the internal control environment from the internal and external auditors • considered updates on key internal and external audit findings in relation to the IT control environment

Area of focus	What we did
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 subsidiary audit sub-committees • assessed reports on individual businesses and functions on their control environment, scrutinised any identified control failures and closely monitored the status of remediation plans • received updates from senior management, and scrutinised action plans following internal audit findings • requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation
Internal audit • the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan • the committee is responsible for assessing audit quality in relation to Internal Audit	• scrutinised and reviewed internal audit plans, risk assessment, methodology, staffing and approved the annual plan. Assumed responsibility for the monitoring and following up of internal audit control findings, including IT, and ensured appropriate mitigation and timeous close out • received regular reports from internal audit on all significant issues identified • monitored audit quality in relation to internal audit • monitored delivery of the agreed audit plans, including assessing internal audit resources • reviewed succession for key internal audit roles • tracked in parallel the levels of high and moderate risk audits, and monitored related remediations plans • met with the heads of internal audit prior to each audit committee meeting, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted • approved the internal audit plans, methodology and deliverables • confirmed that it was satisfied with the performance of the internal audit function • approved the risk assessments and rotational audit plan • reviewed the EQAR conducted by an external provider during 2020, with no material issues impacting the internal audit function • received an opinion from internal audit on internal controls and the integrated risk management framework as part of the year-end sign-off process • considered the succession, skills matrix and the Continuous Professional Development (CPD) of Internal Audit • had a closed session of the audit committee with internal audit without management present • the internal audit quality assurance program is designed in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics) • the quality assurance program is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post engagement quality assurance program • the results of the post engagement quality assurance program inform any training interventions required within the team and the results are consolidated and presented to the audit committee on an annual basis
Finance function	• discussed and concluded that the finance director has the appropriate expertise and experience and the finance function has sufficient resources and skills to perform the financial reporting for the group

External audit

The audit committee has the following responsibilities:

- To nominate a registered auditor for the group who, in the opinion of the audit committee, is independent
- To consider the audit fees to be paid to the auditors and the scope of the engagement
- To determine the nature and extent of any non-audit services that the auditor may provide
- To satisfy itself of the independence and objectivity of the external auditors
- To satisfy itself of the experience and the capacity of the audit teams.

Auditor appointment

The audit committee has considered the following in determining the appointment of external auditors:

- The regulatory need for joint auditors
- The state of the audit profession
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a bank or financial services group which is of systemic importance
- Level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a Financial Services group and the consequent audit risk
- Independence of the External Auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation.

Non-audit services

The Investec group has adopted a new 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 PLC Audit Committee. The policy was reviewed and revised during the current year.

Total audit fees paid to all auditors for the year ended 31 March 2020 were £8.6 million (2019: £9.3 million), of which £2.8 million (2019: £3.5 million) related to the provision of non-audit services.

Total non-audit fees for each of the auditing firms were pre-approved by the chair of the PLC Audit Committee prior to every assignment.

Included in non-audit services in the current year are assurance services typically provided by the external auditor in respect of circulars and prospectuses as part of the demerger of the Investec Asset Management business.

Based on the abovementioned policy and reviews, the DLC Audit Committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young LLP.

Partner accreditation and audit quality

Discussions in respect of audit quality continued between the PLC Audit Committee and Ernst & Young LLP from an Investec plc perspective, and with Ernst & Young LLP and Ernst & Young Inc. from an Investec group perspective.

The following was covered during these discussions:

- Transparency reports and reviews by each of the two firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria;
- The degree and extent of oversight over subsidiary auditors;
- Any reputational, legal or impending legal issues impacting the firm;
- The independence processes of the firm, including partner reward and remuneration criteria;
- Interrogation of international and local firm audit quality control processes;
- Detailed profiles of all partners and managers on the Investec assignment, including their relevant audit experience, were reviewed;
- Details in relation to each firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process;
- The results of the last firm-wide reviews carried out by the regulatory body, FRC in the UK;
- The results of the last individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of each partner; and
- The completion of an audit quality questionnaire by each member of the audit committee and management, the results of which were that a robust audit is in place.

Auditor independence and objectivity

- The PLC Audit Committee considers the independence of the external auditors on an ongoing basis
- The external auditors are required to rotate the lead audit partner every five years and other key audit partners every five years
- Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period
- The lead partner on Investec plc commenced his five-year rotation on period on 1 April 2019
- Manprit Dosanjh has replaced Andy Bates as the lead Ernst & Young LLP partner for the 2020 audit
- The external 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 the following are adequate safeguards to ensure that the audit process is both objective and effective:

- The extent of audit cross reviews, including those by KPMG International of the work done by subsidiary KPMG auditors
- Limitations on non-audit services including pre-approval on non-audit work
- The confirmation of the independence of the firms and auditors involved
- Formal audit quality process undertaken by the audit committee.

Firm Rotation

The company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the end of March 2024 at the latest. A competitive tender process will be conducted in advance of this time.

The external auditors of the group's principal subsidiaries Investec Bank plc and Investec Wealth & Investment Limited are Ernst & Young LLP and KPMG LLP respectively. It is intended that KPMG LLP will stand down as auditor of IW&I and that Ernst & Young LLP will be appointed as the incumbent auditor for IW&I, for reporting periods ending after 1 April 2020. Ernst & Young LLP will remain as the auditors of IBP and Investec plc.

See further information on re-election of auditors on page 170.

Re-election of auditors

In line with the guidance provided in the FRC guide on Audit Committees, the PLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

In addition, the board and the PLC Audit Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2020.

Zarina Bassa
Chair of the PLC Audit Committee

17 June 2020

DLC Board Risk and Capital Committee report

As the chairman of the DLC BRCC, during the financial year ended 31 March 2020, I am pleased to present our report.

The role of the committee is to review, on behalf of the board, the range of risks facing the business. We perform this function by considering the risk reports presented and question whether existing actions taken by management are appropriate.

The DLC Audit Committee has the primary role in providing assurance to the board that adequate controls are in place to mitigate the enterprise-wide risks identified and that the controls may be relied upon. Therefore, the audit committee relies on the output of the committee to give assurance on the completeness of enterprise wide risks. As it is essential that there are some synergies in membership of the DLC Audit Committee and DLC BRCC, common membership is retained by Zarina Bassa, as the chair of the DLC Audit Committee, and Philip Hourquebie and Philisiwe Sibiya, as members of the DLC Audit Committee.

Capital ratios have remained sound throughout COVID-19. With respect to Market Risk, we remained within risk limits through the period, except for the UK equity structured products business which was significantly impacted by a sharp fall in equity markets pursuant to the COVID-19 pandemic, and resultant changes in assumed dividend yields. The committee reviewed and approved the capital plans for IBL and IBP under various stress scenarios. The committee was also actively involved in reviewing the various models for the Foundation Internal Ratings Based (FIRB) approach. The South African Prudential Authority approved the IBL application to calculate its minimum capital requirements in respect of credit risk for the wholesale portfolios using the FIRB approach and retail portfolios using the Advanced Internal Ratings Based (AIRB) approach, effective April 2019.

Reports to the committee focus on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, climate change risk, financial crime, business resilience, market, investment risk, information technology and cyber security. Due to the dynamic nature of the business environment in which Investec operates, the committee is flexible in considering other matters of relevance as they arise. For example, the committee requested several *ad hoc* reports in order to adequately assess risks that are due to one off events, including deep dives on certain significant risk exposures such as business resilience and cyber crime.

At each board meeting, a report is presented on the key matters discussed at the committee with particular focus on any new risks identified.

In the latter part of the financial year, the committee focused on the rapidly evolving impact of COVID-19 and the potential introduction of a broad range of risks across the business: people risk, operational resilience and financial risks including market risk, credit risk and liquidity risk. We focused on deposit origination through our funding channels in anticipation of increased levels of notice given by corporates to shore up their liquidity needs. We actively monitored our liquidity position and risk metrics and various market scenarios. The committee was provided with assurance that due attention and appropriate action was being taken and the committee was regularly kept abreast of the risks given the fluidity of the situation.

We believe that robust risk management systems and processes are in place to support the group strategy

DLC Board Risk and Capital Committee report

David Friedland

Chairman of the DLC BRCC

Key achievements in FY 2020

- Reviewed the targeted attack simulation (TAS) exercise conducted by external consultants in order to mitigate cybercrime risk. Ensured remedial action was being taken in respect of identified weaknesses
- Brexit: Consideration of risks that could be faced and management actions to mitigate the impact thereof
- Monitored progress of converting the IBL wholesale book from the Foundation Internal Ratings Based (FIRB) to the Advanced Internal Ratings Based (AIRB) approach
- Monitored the effectiveness of Risk Data Aggregation and Risk Reporting (RDARR)
- Monitored the implementation of the General Data Protection Regulation (GDPR)
- Continued focus on the further embedding of International Financial Reporting Standards (IFRS 9)
- Reviewed strengthening our Economic, Social and Governance (ESG) assessments and monitoring processes
- Discussed climate-related risks and opportunities for enhanced Task Force on Climate related Financial Disclosures (TCFD) disclosures
- Ensured that any risks associated with the demerger of the Asset Management (Ninety One) business were adequately addressed
- Reviewed the results of IBP's liquidity stress test simulation exercise, including consideration of actions resulting therefrom
- Approved of the group's Internal Capital Adequacy Assessment Process (ICAAPs), the group's Internal Liquidity Adequacy Assessment Process (ILAAP)
- Monitored the impact and measures taken to manage COVID-19

Areas of focus in FY 2021

- Monitor the impact and measures taken to manage COVID-19 including the impact on staff, the workplace, financial, client services, risk and compliance
- Monitor the continued mitigation of risks related to cybercrime and information security
- Monitor the effectiveness of RDARR
- Continued focus on the further embedding of IFRS 9
- Monitor regulatory developments
- Continuing to strengthen our ESG processes
- Strengthening disclosure according to TCFD recommendations
- Review business resilience
- Monitor the conversion of the IBL wholesale book from FIRB to AIRB
- Approve the group's ICAAPs and IBP's ILAAP
- Brexit: continued consideration of the risks that could be faced and the monitoring of management actions to mitigate the impact thereof

Committee performance

The performance of the committee was evaluated over the year and it was concluded that it was to be operating effectively.

Role of the chair

During the year, meetings were held regularly with the heads of business, as well as heads of the risk disciplines outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and risks facing the business. These interactions are an essential part of the role of the chairman, as it provides an additional layer of assurance to help gain comfort that risks that are reported to the committee accurately reflect the risks facing the business.

Looking forward

There is currently unprecedented uncertainty resulting from the COVID-19 pandemic, including the depth of the potential downturn in activity, the duration of restrictive measures and the social containment exit plans within the geographies in which we operate.

It is presently difficult to predict the full impact that the pandemic will have on the group.

We will regularly review and, where necessary, question management's ongoing responses so as to ensure that the challenges posed by COVID-19 are given its full attention.

In the year ahead, the committee will continue to focus on matters related to the impact of economic conditions on Investec, effective risk data aggregation, business resilience, financial crime, the implementation of regulatory requirements, Financial Intelligence Centre Act (FICA) and the King IV Code, information security, cybercrime and risks associated with the fast pace of regulatory change faced by the business and assessing the impact of external factors on the group's risk profile.

The committee will continue to dedicate time either within scheduled meetings or with *ad hoc* meetings to receive in-depth reporting on specific risks or business lines from subject matter experts to facilitate better understanding of the risks and to allow for debate and challenge.

David Friedland
Chairman, DLC BRCC

17 June 2020

Role

The committee is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to a number of risks and capital management. The committee is the most senior risk management committee of the group and comprises executive and non-executive membership. It covers each material banking and wealth management subsidiary company within the wider group.

The committee has to ensure that all risks are identified and properly mitigated and managed. Good client and market conduct are paramount in all the group does and the committee ensures a robust culture supported by oversight and management of information to evidence good practice.

The committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the group's risk exposures.

The committee is also the appointed board committee to meet the requirements of the South African Banks Act and the Capital Requirements Regulation and Directive (CRR/CRD IV), adopted by the European Commission and implemented in the UK. This requires the board of directors of a bank and a holding company to appoint a risk and capital committee.

Composition and meetings

The DLC Nomdac and the board have formed the opinion that the committee has the appropriate balance of knowledge and skills in order to discharge its duties. All members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

The committee meets at least six times every year. During the year ended 31 March 2020, the committee met six times.

A Combined DLC Audit Committee and DLC BRCC meeting was held in February 2020 to review Macro-Economic Scenarios, Weightings and the impact on Expected Credit Losses (ECL) and IFRS 9, to jointly sign off on these matters.

		DLC BRCC (6 meetings in the year)	
Members	**Committee member since**	**Eligible to attend**	**Attended**
D Friedland (Chairman)	13-Sep-13	6	6
ZBM Bassa	14-Nov-14	6	6
PKO Crosthwaite	9-Nov-18	6	3
B Kantor*	11-Mar-11	2	1
S Koseff**	11-Mar-11	2	1
NA Samujh***	8-Aug-19	4	4
PA Hourquebie	17-Aug-17	6	6
KL Shuenyane	16-Jan-15	6	6
HC Baldock****	9-Aug-19	4	4
PG Sibiya*****	9-Aug-19	4	4
F Titi	11-Mar-11	6	6

* *B Kantor stepped down from the committee with effect from 8 August 2019.*

** *S Koseff stepped down from the committee with effect from 8 August 2019.*

*** *NA Samujh was appointed to the committee with effect from 9 August 2019*

**** *HC Baldock was appointed to the committee with effect from 9 August 2019.*

***** *PG Sibiya was appointed to the committee with effect from 9 August 2019.*

^ *Where a director is unable to attend a meeting they review their meeting papers in advance and have the opportunity to provide comments to the chairman of the committee.*

Other regular attendees

- Operational risk
- Internal Audit
- Head of IT security
- Investec Wealth & Investment (SA) representative
- Investec Wealth & Investment (UK) representative
- Chief risk officer – Investec Limited
- Chief risk officer – Investec plc
- Investec Asset Management head of legal risk and compliance#
- Global head of governance and compliance
- AIRB / FIRB project representative for AIRB / FIRB
- Head of Legal

\# *Attended until the January 2020 meeting*

How the DLC BRCC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

The standard and regular agenda items of the committee include comprehensive reports pertaining to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk.

COMMITTEE ACTIVITIES

Areas of focus	*What we did*
Capital management • We may have insufficient capital to meet regulatory requirements and may deploy capital inefficiently across the group. • 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 regulations on the management of capital – IFRS 9 and AIRB • considered and assessed the implications of capital relaxation requirements in respect of COVID-19 • satisfied itself that Investec plc and Investec Limited and their subsidiaries were 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 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 highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof • considered the impact and measures taken to manage COVID-19 • challenged the effectiveness of the management of liquidity risk within the business • reviewed an investment measure to ensure sufficient liquidity to absorb repayment of the Irish deposits pursuant to Brexit • reviewed management's plans to address liquidity challenges caused by COVID-19, including focused deposit origination and revised funding plans
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	• regularly reviewed reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof
Recovery and resolution plan • Documents how the group will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited	• reviewed the recovery and resolution plans for the group in line with the mandated annual review • challenged the recovery and resolution plans addressing how the group will recover from extreme financial stress and avoid liquidity and capital difficulties in the group • gained comfort that adequate plans had been put in place for scenarios where the group was required to recover from extreme financial stress • considered the impact and measures taken to manage COVID-19
Market risk • Market risk arising in our trading book could affect our operational performance • 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 in the derivatives market	• monitored risk appetite breaches and challenged management action which addressed these breaches • considered the initial impact of COVID-19 • received and interrogated a report on the losses suffered in equity UK Structured Products • reviewed the impact of new market risk capital regulations including the Fundamental Review of the Trading Book, and gained comfort that the project in place was progressing with appropriate management focus • reviewed the initial impact of COVID-19 and mitigating actions
Credit and counterparty risk • Credit and counterparty risk exposes us to losses caused by an obligor's failure to meet the terms of any agreement	• monitored the risk appetite limits and questioned management action taken in respect of breaches • challenged the effectiveness of the management of such risks within the business
Investment risk • We may be exposed to investment risk in our unlisted and listed investment portfolios and property investment activities. The probability or likelihood of occurrence of losses relative to the expected return of any particular investment	• reviewed and challenged the governance processes in place to manage the risk • reviewed and questioned the investment risk reports submitted to the committee

Areas of focus	What we did
Operational risk • Operational risk from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action. 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 and received detailed explanations for significant losses • reviewed the overall risk rating for the group • considered and reviewed the risk appetite limits for the group • monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments • considered the impact of risk and regulatory developments on the business
Reputational risk • Reputational, strategic and business risks could impact our operational performance. 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 is 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 • gained comfort that conduct related matters were appropriately managed and where required, reporting was made to the Regulators in a timely manner • challenged the effectiveness of the management of such risks within the business
Business Resilience • 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 business resilience • reviewed results of business resilience tests • challenged the effectiveness of the management of such risk within the business • considered the impact of COVID-19 on the continuation of the business in the current environment
Cyber crime risk • Cyber risk can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm	• received and assessed regular reports regarding the cyber crime landscape, including lessons learnt from external cyber attacks • received the targeted attack simulation (TAS) results and ensured that any remediation required was completed • gained comfort that the management of cyber crime was given the necessary priority
Climate Change • Unintended environmental (including climate risk), social and economic risks could arise in our lending and investment activities	• received and considered reports regarding environment and climate change • considered management's actions to mitigate the potential financial risks from climate change
IT Security & Technology • We may be vulnerable to the failure of our systems and breaches of our security systems (including cyber and information security)	• received and reviewed reports from the chair of the INL IT Risk & Governance Committee • interrogated reports on the remedial actions taken in respect of TAS
Financial Crime • We may be exposed to financial crime, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft	• regular reports were presented and interrogated with regard to financial crime events • reviewed and considered the annual money laundering report officer's report

DLC Remuneration Committee report

For information on the decisions taken by the DLC Remuneration Committee, refer to the remuneration report contained on pages 179 to 237 in volume one of the Investec group's 2020 integrated annual report.

During the financial year ended 31 March 2020, the DLC Remuneration Committee met ten times. This comprised eight scheduled meetings and two additional meetings called at short notice. Attendance at committee meetings is shown below.

		DLC Remuneration Committee (10 meetings in the year)	
Members	Committee member since	Eligible to attend	Attended
PA Hourquebie (chairman)	14-Aug-17	10	10
ZBM Bassa	10-Sep-15	10	9
PKO Crosthwaite	18-Sep-13	10	8
CR Jacobs	8-Aug-14	10	10

^ *Where a member 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 we comply

Regulatory context

The Investec group operates under a DLC structure which requires compliance with the principles contained in the South African King IV Code of Corporate Governance Principle (available at www.iodsa.co.za) and the UK Corporate Governance Code 2018 (available at www.frc.org.uk).

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Details of our compliance with certain corporate governance principles and regulatory matters are provided below. For further information in this regard please refer to pages 169 to 172 of the annual report, for the directors' responsibility statement and directors' report.

Statement of compliance

UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the code) applied to the group for the financial year ended 31 March 2020. The group confirms that it applied the principles and complied with all the provisions of the code throughout the year, except in relation to provision 19 that provides that the chair should not remain in post beyond nine years from the date of their first appointment to the board. The board believe that the continued appointment of the chairman, Perry Crosthwaite, who was appointed to the board in June 2010, will support the succession plan for the board and the leadership team. Please refer to page 129 for a more detailed explanation of the board's view as to the independence of the chairman.

This page and the [following page] explain how we have applied the principles and the related provisions of the code during the year. The alphabetical references in the paragraphs below correspond to the principles, and related provisions, of the code.

1. Board leadership and company purpose

A.

The group is led by an effective, entrepreneurial board, which is collectively responsible for the long-term sustainable success of the group, ensuring due regard is paid to the interests of the group's stakeholders. Please refer to page 126 for the details of the group's governance framework, and pages 122 to 125 for the directors' biographies.

B.

The board assumes responsibility for establishing the purpose of the group, setting its strategy, establishing its culture and determining the values to be observed in achieving the strategy. Please refer to pages 133 to 137 for further details.

C.

The board retains ultimate responsibility for ensuring adequate resources are available to meet agreed objectives and strategy, and ensures such resources are responsibly and effectively deployed. The board has established a risk management framework, as detailed on pages 55.

D.

The board recognises that engaging with and acting on the needs of the group's stakeholders is key to achieving the strategy and long-term objectives of the group. Engagement with stakeholders, across the organisation, including that of the board, is discussed further in the directors' statement of compliance, and in the directors' statement of compliance with their duties under section 172 of the UK Companies Act 2006 on pages 31 to 35.

E.

All policy and practice relating to our people is developed and implemented in a manner which is consistent with the group's purpose and values, with the board receiving regular updates on matters relevant to our people. Responsibility for whistleblowing arrangements sits with the subsidiary audit committees of the group, in accordance with their regulatory obligations.

2. Division of responsibilities

F.

The chairman has overall responsibility for the leadership of the board and for ensuring its effectiveness in all aspects of its operations. The chairman, Perry Crosthwaite, was considered to be independent on appointment. The responsibilities of the chairman are set out on page 127.

G.

There is a clear division of responsibility at the head of the company. There is a clear separation between the role of the chairman and the CEO. Please refer to page 127 for the details of the respective board roles.

H.

Non-executive directors are advised of time commitments prior to their appointment and they are required to devote such time as necessary to discharge their duties effectively. The time commitments of the directors are considered by the board on appointment and the board is satisfied that there are no directors whose time commitments are considered to be a matter for concern. External appointments, which may affect existing time commitments for the board's business, must be agreed with the chairman, and prior approval must be obtained before taking on any new external appointments. More information on directors' attendance at board and committee meetings can be found on pages 134, 139, 143, 148, 159 and 162.

I.

The chairman, supported by the company secretary, ensures that board members receive appropriate and timely information. The group provides access, at its expense, to the services of independent professional advisers in order to assist directors in their role. Board committees are also provided with sufficient resources to discharge their duties. All directors have access to the services of the company secretaries in relation to the discharge of their duties.

3. Composition, succession and evaluation

J.

The process for appointments to the board are led by the DLC Nomdac, which makes recommendations to the board. More details about succession planning and the work of the DLC Nomdac can be found on pages 138 to 141.

K.

The DLC Nomdac reviews the balance of skills, experience, independence, and knowledge on the board and board committees on an annual basis, or whenever appointments are considered. Having the right balance on the board and board committees helps to ensure that those bodies discharge their respective duties and responsibilities effectively. For the financial year ended 31 March 2020, the board, at the recommendation of the DLC Nomdac, concluded that the skills, knowledge and experience of the directors as a whole was appropriate for their responsibilities and the group's activities, as shown on page 140.

The DLC Nomdac monitors, in particular, whether there are any relationships or circumstances which may impact a director's independence. For the financial year ended 31 March 2020, the board, at the recommendation of the DLC Nomdac, concluded that the majority of the non-executive directors are independent in character and judgement, as shown on page 129. As identified on page 130, the board concluded that Ian Kantor, founder, former CEO of the group, and brother of former executive director Bernard Kantor, could not be considered to be independent under the code.

L.

The evaluation of the board is externally facilitated at least every three years. An internally facilitated board evaluation was completed in 2019, with an externally facilitated evaluation having taken place in 2018. Individual evaluation is carried out by the chairman on behalf of the board. Performance evaluation of the chairman is carried out by the non-executive directors, led by the SID. Further information can be found on the board effectiveness review can be found on page 141.

4. Audit, risk and internal control

M.

The board has delegated a number of responsibilities to the PLC Audit Committee, including oversight of financial reporting processes, the effectiveness of internal controls and the risk management framework, and the work undertaken by the external and internal auditors. The PLC Audit Committee report which can be found on pages 146 to 156, sets out how the committee has discharged its duties and areas of focus during the year.

N.

The code requirement that the annual report is fair, balanced and understandable is considered throughout the drafting and reviewing process and the board has concluded that the 2020 annual report is fair, balanced and understandable. The directors' and auditors' statements of responsibility can be found on pages 172 and 177 respectively. Information on the group's business model and strategy can be found on pages 3 to 41.

O.

The board is responsible for the group's risk management and internal controls systems; see page 153 for more detail regarding internal control.

The PLC Audit Committee is responsible for the effectiveness of internal controls and the Risk Management Framework. Further information can be found on pages 146 to 156.

The DLC BRCC is responsible for the review of the risk culture of the group, setting the tone from the top in respect of risk management. Further information can be found on pages 157 to 161.

The directors' viability statement and confirmation that the business is a going concern can be found on the following pages.

5. Remuneration

P.

The group is committed to offering all employees a reward package that is competitive, performance-driven and fair and the group's remuneration policy statement is designed to promote the long-term success of Investec. The directors' remuneration report on pages 178 to 237 in volume one of the Investec group's 2020 integrated annual report provides full details regarding the remuneration of directors.

Q.

The DLC Remuneration Committee seeks to ensure all remuneration policy, including that relevant to executive remuneration, is fair and transparent. The work of the DLC Remuneration Committee during the year, including its review of the remuneration policy, is discussed further in its report on pages 178 to 237 in volume one of the Investec group's 2020 integrated annual report.

R.

The remuneration policy seeks to ensure all remuneration decisions made by directors fully consider the wider circumstances as relevant to that decision, including, but not limited to, individual performance. The DLC Remuneration Committee's decision making in respect of remuneration outcomes is discussed further in the directors' remuneration report on pages 178 to 237 in volume one of the Investec group's 2020 integrated annual report which includes additional confirmation of the use of remuneration consultants, including where any such consultant has another connection to the group.

Other statutory information

Viability statement

In accordance with the UK Corporate Governance Code, in addition to providing a going concern statement, the board is required to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the DLC BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted on pages 23 to 30.

Through its various sub-committees, notably the audit committees, the DLC BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity, solvency and operational resilience of the group. The activities of these board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall mandated risk appetite framework for Investec plc. The risk appetite frameworks set broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/measurement against its risk appetite framework is provided at each DLC BRCC meeting and at the main board meetings.

In terms of the FCA and PRA requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm-specific, and combined scenarios (combination of the market-wide and firm-specific stresses). The group manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the board-approved risk appetite. In addition to these stress scenarios, the group's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each banking entity within the group is required to be fully self-funded. The group currently has £6.0 billion in cash and near cash assets, representing 39.5% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a tier 1 ratio greater than 11%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is paired with macro-economic downside risks to design Investec-specific stress scenarios.

For 2020, given the developments in relation to the COVID-19 pandemic, specific consideration was given to the potential risks associated with COVID-19 and scenarios were developed in order to incorporate the potential impact

- Base case: The base case COVID-19 narrative assumes a short, sharp shock to the UK economy resulting from the social containment measures as both demand and supply are severely curtailed. By the third quarter the UK begins to emerge from the shutdowns with facilities reopening in a staggered manner, and by the fourth quarter a degree of normality returns to the UK.
- Down case: The down case narrative assumes an L-shaped scenario, which encompasses a weaker economic recovery compared to the base case, as the easing of the lockdown happens at a slower pace. A more durable long-term economic recovery is undermined by more permanent scarring on the economy, with elevated unemployment and weak investment as firms attempt to rebuild depleted cash reserves.

The group also typically incorporates the Bank of England (BoE) annual cyclical stress scenarios into its capital processes. The BoE cancelled the 2020 Annual Cyclical Stress (ACS) scenario, and so, accordingly, the group has not run this scenario for the 2020 capital stress testing process.

The board has assessed the group's viability in its 'base case' and stress scenarios. In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed. As noted on page 33, in light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend. This is a clear demonstration of actions that can be taken in periods of severe stress and uncertainty.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery plan as well as a resolution pack. The purpose of the recovery plan is to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties.

The group also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, recovery plan, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress, stress scenarios are reviewed more regularly for example as is the case with COVID-19. In addition, senior management host an annual risk appetite process at which the group's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that the group will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2023.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 3 to 48, which shows a strategic and financial overview of the business
- Pages 23 to 30, which provide detail on the principal and emerging risks the group faces
- Page 54 which highlights information on the overall group's risk appetite
- Pages 50 to 66 which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 52, 58, 84, 88, and 108 which highlight information on the group's various stress testing processes
- Pages 90 to 97 which specifically focus on the group's philosophy and approach to liquidity management
- Page 102 which provide detail on the recovery plan
- Pages 105 to 113 which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 17 June 2020. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Workforce engagement

The DLC Nomdac considered how the board would further engage with our people, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as to the appropriate method. The board agreed, noting the recommended methods for workforce engagement provided by the UK Corporate Governance Code, that a designated non-executive director be appointed to support the directors' engagement with our people.

Recognising the independent governance structures within the group, it was determined that a designated non-executive director be appointed from the Investec group board, Philip Hourquebie, the IBP board, Moni Mannings, and the Wealth & Investment board, Cath Thorpe, to ensure that each of the respective boards were made aware of the views expressed by our people.

The board identified the current engagement activities, which include culture dialogues, diversity and inclusion programmes, well-being programmes, talent programmes, country and site visits, town halls, and question and answer sessions. Enhancements to these existing engagement activities were agreed to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board for discussion and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting was established, with management and the designated non-executive directors in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently report to their respective boards on the engagement activities, with the designated non-executive director highlighting the matters of interest from our people to support the key decision making of their respective boards.

The board utilised the matters of interest to our people to inform our discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

Conflicts of interest

Certain statutory duties with respect to directors' conflict of interest are in force under the UK Companies Act and the South African Companies Act. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he or she has, or can have, a direct interest that conflicts, or possibly may conflict, with the interest of the company. The board has adopted a procedure, as set out in the Articles and MOI that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration, and if considered appropriate, approval.

External directorships

Outside business interests of directors are closely monitored and we are satisfied that all of the directors have sufficient time to effectively discharge their duties.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interest of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UKLA's Disclosure Guidance and Transparency Rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their "connected persons". These include directors and senior executives of the group. Staff are prohibited from dealing in all listed Investec securities during closed periods. Trading is restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Staff are restricted from exercising options through Investec Staff Share Schemes during closed periods.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the DLC Remuneration Committee determines otherwise.

Directors' dealings

Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure Guidance and Transparency Rules of the UKLA and the JSE Listings Requirements.

All directors' and company secretaries' dealings require the prior approval of the compliance division and the chairman, the senior independent director or the chairman of the audit committee.

All dealings of persons discharging management responsibilities require approval by line management, the compliance division and the chairman.

Related parties

Investec has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. DLC Nomdac reviewed key related party transactions during the year and ensured that the appropriate policies had been complied with. The DLC Nomdac also conducted a comprehensive review of the respective policies.

Time commitment

All potential new directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. The DLC Nomdac will then take this into account when considering a proposed appointment on the basis that all directors are expected to allocate sufficient time to their role on the board in order to discharge their responsibilities effectively. This includes attending, and being well-prepared for, all board and board committee meetings, as well as making time to understand the business, meet with executives and regulators, and complete ongoing training. All significant new commitments require prior approval.

Stakeholder engagement

The board recognise that effective communication is integral in building stakeholder value and are committed to providing meaningful, transparent, timely and accurate financial and non-financial information to our stakeholders. As part of our stakeholder engagement philosophy and process, the chairman, SID and DLC Remuneration Committee chairman actively engage with UK shareholder representative organisations and our largest shareholders on an annual basis.

At the August 2019 AGM a less than 80% vote was received for the resolution in regards to:

- The re-appointment of KPMG Inc. as joint auditors of Investec Limited.

The DLC Audit Committee identified audit quality as a Key Audit Matter as defined by auditing standards and accordingly spent considerable time gaining assurance in this regard and included specific additional procedures to satisfy itself regarding audit quality, audit firm transparency processes, auditor independence and objectivity and auditor rotation planning, where Investec Limited is and intends to remain compliant with the mandated requirements around Mandatory Audit Firm Rotation ("MAFR"). Regarding KPMG Inc., a number of specific additional processes both at a local and international level were implemented to ensure and confirm audit quality.

The DLC Audit Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the South African Companies Act, the views expressed by shareholders, the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, the audit committee decided to commence the process by rotating one of the joint auditors of Investec Limited effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter. A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023.

Refer to pages 132 to 142 in volume one of the Investec group's 2020 integrated annual report for further details in regards to the DLC Audit Committee's review of the external auditors, and an update on the MAFR process.

Report to shareholders

This report to shareholders has been approved and authorised for issue to the shareholders of Investec plc on 17 June 2020 and signed on its behalf by:

David Miller
Company secretary

Investec plc

4

ANNUAL FINANCIAL STATEMENTS

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Section 414A of the UK Companies Act 2006 (the UK Companies Act) requires the directors to present a strategic report in the annual report.

This information can be found on pages 3 to 41.

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 this directors' report.

An indication of likely future developments may be found in the strategic report.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

Authorised and issued share capital

Details of the share capital are set out in note 41 on page 250 to the annual financial statements.

During the year, the following shares were issued:

- 13 961 407 ordinary shares on 12 June 2019 at 463.00 pence per share.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2020.

At 31 March 2020, Investec plc held 31 744 014 shares in treasury (2019: 21 638 673). The maximum number of shares held in treasury by Investec plc during the period under review was 37 825 365 shares.

Financial results

The consolidated results of Investec plc are set out in the annual financial statements and accompanying notes for the year ended 31 March 2020.

The preparation of these results was supervised by the Investec group finance director, Nishlan Samujh.

Ordinary dividends

An interim dividend of 11.0 pence per ordinary share (2019: 11.0 pence) was paid on 18 December 2019, as follows:

- 11.0 pence per ordinary share to non-South African resident shareholders registered on 3 December 2019
- To South African resident shareholders registered on 3 December 2019, through a dividend paid by Investec Limited on the SA DAS share, of 11.0 pence per ordinary share.

In light of regulatory guidance provided to banks in the UK, the board has decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence).

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 27 for the period 1 April 2019 to 30 September 2019, amounting to 8.77397 pence per share, was declared to members holding preference shares registered on 6 December 2019 and was paid on 17 December 2019.

Preference dividend number 28 for the period 1 October 2019 to 31 March 2020, amounting to 8.43827 pence per share, was declared to members holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 17 for the period 1 April 2019 to 30 September 2019, amounting to 488.20890 cents per share, was declared to members holding rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 6 December 2019 and was paid on 17 December 2019.

Preference dividend number 18 for the period 1 October 2019 to 31 March 2020, amounting to 468.29795 cents per share, was declared to members holding preference shares registered on 5 June 2020 and will be paid on 15 June 2020.

Directors and secretaries

Details of directors and company secretaries of Investec plc are reflected on page 122 to 125 and page 131.

The names of the current directors of Investec plc, along with their biographical details, are set out on pages122 to 125 are incorporated into this report by reference. Changes to the composition of the board since 1 April 2019 up to date of this report are shown in the table below:

	Appointed to the board	Retired from the board
Nishlan Samujh	1 April 2019	
Laurel Bowden		8 August 2019
Cheryl Carolus		8 August 2019
Bernard Kantor		8 August 2019
Stephen Koseff		8 August 2019
Henrietta Baldock	9 August 2019	
Philisiwe Sibiya	9 August 2019	
Hendrik du Toit		16 March 2020
Kim McFarland		16 March 2020
David van der Walt	1 April 2020	4 June 2020
Ciaran Whelan	1 April 2020	

In accordance with the UK Corporate Governance Code, all of the directors will retire and those willing to serve again will submit themselves for re-election at the annual general meeting. Ian Kantor will not stand for re-election at the 2020 annual general meeting.

The company secretary of Investec plc is David Miller.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 179 to 237 of volume one of the 2020 Investec group integrated annual report.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 133 to 137 and page 126.

Share incentives

Details regarding options granted during the year are set out on pages 179 to 237 of volume one of the 2020 Investec group integrated annual report.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, operational risk, internal audit, compliance and the finance division to consider the nature and scope of the internal and external audit reviews and the effectiveness of our risk and control systems, taking note of the key deliberations of the subsidiary audit committees as part of the process.

Further details on the role and responsibility of the audit committees are set out on pages 146 to 156.

Independent auditor and audit information

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 UK Companies Act and should be interpreted in accordance with and subject to those provisions.

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc.

A resolution to re-appoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2020.

Contracts

Refer to page 166 for details of contracts with directors.

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 263 to 266.

Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 39.

Special resolutions

At the annual general meeting held on 8 August 2019, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the UK Companies Act
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the UK Companies Act.

Stakeholder engagement

The directors' section 172 statement, as required under the Companies Act 2006 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) may be found in the strategic report on pages 31 to 35. This statement also provides details of how the directors have engaged with and had regard to the interests of our key stakeholders, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) regulations 2018).

Employees

The group's approach is to recruit and promote on the basis of aptitude and attitude, with the deliberate intent to build a diverse workforce and promote an inclusive workplace, fully representative of the jurisdictions population. 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 to incentivise staff to take an interest in the group's performance by means of employee share schemes.

Further information is provided on pages 31 to 37.

Political donations and expenditure

The group did not make any political donations in the financial year ended 31 March 2020 (2019: Nil).

Empowerment and transformation

The group endeavours to prevent and/or eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, nationality or sexual preferences. People with disabilities are an essential part of a diverse talent pool and are always considered, with every effort made to accommodate and facilitate an accessible environment. In the event of employees becoming disabled while in our employ, we are committed to ensuring their continued employment. We have various processes to encourage debate and dialogue around valuing diversity and differences. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity.

Financial instruments

Detailed information on the group's risk management process and policy can be found in the risk management report on pages 50 to 66.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on page 190 in note 54.

Going concern

Refer to page 137 for the directors' statement in relation to going concern.

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business, and seek to encourage and promote good environmental practice among our employees and within the communities in which we operate.

Further information can be found on pages 36 to 38.

Research and development

In the ordinary course of business, the group develops new products and services in each of its business divisions.

Viability statement

Refer to pages 164 to 166 for the directors' viability statement.

Risk management policies

The group's policies for managing the financial risk to which it is exposed as well as exposure to price, credit, liquidity and cash flow risk are set out in the risk management section on pages 50 to 66.

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act). The board considers that this integrated annual report and annual financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 178 to 179, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the UK Companies Act to prepare group and company accounts for each financial year and, with regards to group accounts, in accordance with Article 4 of the International Accounting Standards (IAS) Regulation. The directors have prepared group and company accounts in accordance with IFRS, as adopted by the EU. Under the UK Companies Act, 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 have 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 a 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 UK Companies Act.

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 123 to 125 confirm to the best of their knowledge that:

- 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
- The management report, on pages 3 to 41, 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 annual financial statements

The directors' report and the annual financial statements of the companies and the group, which appear on pages 169 to 172 and pages 180 to 287, were approved by the board of directors on 17 June 2020.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the UK governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the boards of Investec plc

Perry Crosthwaite
Chairman

17 June 2020

Fani Titi
Chief executive officer

17 June 2020

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act). This is a summary only and the relevant provisions of the Articles or the UK Companies Act should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2020 consists of 696 082 618 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 318 904 709 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles.

Purchase of own shares

Subject to the provisions of the Articles, the UK Companies Act, the UK Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the UK Companies Act, Investec plc may by ordinary resolution from time-to-time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in the nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and, on a poll, every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the UK Companies Act, members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. In addition, no member shall be entitled to vote if they have been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the UK Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal. The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the UK Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank *pari passu* herewith as regards to participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards to dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference share and equal basis, the right to a return of capital on the winding up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with the Articles after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of;
  - in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rands.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the:

(i) variation of the rights attaching to the shares or

(ii) winding up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors. For details regarding the shareholding requirements for executive directors of Investec plc, once appointed, please refer to the page 181 of volume one of the 2020 Investec group integrated annual report of the remuneration report in volume one.

Powers of directors

Subject to the Articles, the UK Companies Act, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

A director is not required to hold any shares of Investec plc by way of qualification.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Opinion

We have audited the special purpose financial statements of Investec Plc (the Group) for the year ended 31 March 2020, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated statement of total comprehensive income, consolidated statement of changes in equity, consolidated cash flows statement and the related notes 1 to 60, including a summary of significant accounting policies and information in sections " Risk management and environmental, social and governance", identified as 'audited' on pages 50 to 167. The financial reporting framework that has been applied in their reparation is a special purpose framework comprising the accounting policies set out on pages 184 to 194.

Under the contractual arrangements implementing the dual listed companies structure, Investec plc and Investec Limited effectively form a single economic enterprise, in which the economic and voting rights of shareholders are equalised. In accordance with this structure the appropriate presentation under International Financial Reporting Standards as adopted by the European Union is achieved by combining the results and the financial position of both companies using merger accounting principles. Those combined consolidated financial statements are prepared separately so as to show a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

As explained in the accounting policies set out on pages 184 to 194, these special purpose financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its subsidiaries. For the avoidance of doubt, they exclude Investec Limited and its subsidiaries.

In our opinion, the accompanying financial statements of the group for the year ended 31 March 2020 are prepared, in all material respects, in accordance with the accounting policies set out on pages 184 to 194.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group 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, 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the accounting policies set out on pages 184 to 194 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the board of Investec plc in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of Investec plc in accordance with our engagement letter dated 15 June 2018, and should not be distributed to or used by parties other than the members of Investec plc. Our opinion is not modified in respect of this matter.

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 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.

Other information

The other information comprises the information included in the annual report in sections 1 (pages 3 to 41), section 2 (pages 43 to 48), and pages marked as unaudited in section 3 (pages 50 to167), 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the special purpose financial statements in accordance with the financial reporting provisions under the contractual arrangements implementing the dual listed companies structure, and for such internal control as management determines 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

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 matter

Investec plc has prepared a separate set of combined consolidated statutory financial statements for the year ended 31 March 2020 in accordance with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board, and Companies Act 2006, on which we issued a separate auditor's report to the shareholders of Investec plc dated 16 June 2020.

Ernst & Young LLP

Ernst & Young LLP

London

17 June 2020

1. *The maintenance and integrity of the Investec 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 annual financial statements since they were initially presented on the website.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of annual financial statements may differ from legislation in other jurisdictions.*

£'000	Notes	Year to 31 March 2020	Year to 31 March 2019^
Interest income	2	784 396	723 014
Interest expense	2	(387 011)	(337 188)
Net interest income		**397 385**	**385 826**
Fee and commission income	3	496 036	500 502
Fee and commission expense	3	(13 836)	(13 444)
Investment income	4	6 375	90 533
Share of post-taxation profit of associates and joint venture holdings	28	5 382	2 950
Trading income arising from			
– customer flow		50 980	86 766
– balance sheet management and other trading activities		(537)	12 725
Other operating income	5	6 464	10 476
Total operating income before expected credit loss impairment charges		**948 249**	**1 076 334**
Expected credit loss impairment charges	6	(75 800)	(24 556)
Operating income		**872 449**	**1 051 778**
Operating costs	7	(740 792)	(823 374)
Depreciation on operating leased assets	31	(1 407)	(2 137)
Operating profit before acquired intangibles and strategic actions		**130 250**	**226 267**
Amortisation of acquired intangibles	34	(12 915)	(12 958)
Closure and rundown of the Hong Kong direct investments business	59	(89 257)	(65 593)
Operating profit		**28 078**	**147 716**
Financial impact of group restructures	59	(25 725)	(14 595)
Profit before taxation from continuing operations		**2 353**	**133 121**
Taxation on operating profit before acquired intangibles and strategic actions	9	706	(29 876)
Taxation on acquired intangibles and strategic actions	9	20 926	17 599
Profit after taxation from continuing operations		**23 985**	**120 844**
Profit after taxation from discontinued operations	35	**640 506**	**83 009**
Profit after taxation		**664 491**	**203 853**
Profit attributable to non-controlling interests of discontinued operations		(18 106)	(15 942)
Profit / Loss attributable to other non-controlling interests		(864)	4 479
Earnings attributable to shareholders		**645 521**	**192 390**

^ *Restated as detailed in note 59.*

£'000	Notes	Year to 31 March 2020	Year to 31 March 2019^
Profit after taxation from continuing operations		**23 985**	**120 844**
Other comprehensive income/(loss) from continuing operations:			
Items that may be reclassified to the income statement:			
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	9	(1 372)	(1 907)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		3 271	1 505
Foreign currency adjustments on translating foreign operations**		(2 705)	3 891
Effect of rate change on deferred tax relating to adjustment for IFRS 9		(1 761)	(1 572)
Items that will never be reclassified to the income statement:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		37 515	–
Gains attributable to own credit risk*		9 440	9 104
Movement in post retirement benefit liabilities		51	50
Total comprehensive income from continuing operations		**68 424**	**131 915**
Total comprehensive income/(loss) attributable to non-controlling interests from continuing operations		864	(4 892)
Total comprehensive income attributable to ordinary shareholders from continuing operations		50 131	119 437
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		17 429	17 370
Total comprehensive income from continuing operations		**68 424**	**131 915**
Profit after taxation from discontinued operations		**640 506**	**83 009**
Other comprehensive income/(loss) from discontinued operations:			
Items that may be reclassified to the income statement:			
Foreign currency adjustments on translating foreign operations***		1 808	(124)
Remeasurement of net defined benefit pension asset		(1 217)	(1 974)
Total comprehensive income from discontinued operations		**641 097**	**80 911**
Total comprehensive income attributable to non-controlling interests from discontinued operations		18 106	15 942
Total comprehensive income attributable to ordinary shareholders from discontinued operations		622 992	64 969
Total comprehensive income from discontinued operations		**641 097**	**80 911**
Profit after taxation		**664 491**	**203 853**
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*		(1 372)	(1 907)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		3 271	1 505
Foreign currency adjustments on translating foreign operations		(897)	3 767
Effect of rate change on deferred tax relating to adjustment for IFRS 9		(1 761)	(1 572)
Items that will never be reclassified to the income statement:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		37 515	–
Gains attributable to own credit risk*		9 440	9 104
Remeasurement of net defined benefit pension asset		(1 217)	(1 974)
Movement in post retirement benefit liabilities		51	50
Total comprehensive income		**709 521**	**212 826**
Total comprehensive income attributable to non-controlling interests		18 970	11 050
Total comprehensive income attributable to ordinary shareholders		673 122	184 406
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		17 429	17 370
Total comprehensive income		**709 521**	**212 826**

* *Net of taxation (except for the impact of rate changes on deferred tax, as shown separately above).*
^ *Restated as detailed in note 59.*
** *Includes £834k gains on recycling of currency translation differences from sale of Ireland Wealth business.*
*** *Includes £315k gains on recycling of currency translation differences from demerger of Ninety One (formerly known as Investec Asset Management).*

CONSOLIDATED BALANCE SHEET

£'000	Notes	At 31 March 2020	At 31 March 2019
Assets			
Cash and balances at central banks	17	2 277 318	4 445 431
Loans and advances to banks	18	1 794 165	1 164 051
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 627 246	633 202
Sovereign debt securities	20	1 688 670	1 298 947
Bank debt securities	21	51 238	52 265
Other debt securities	22	685 936	498 265
Derivative financial instruments	23	1 251 135	625 550
Securities arising from trading activities	24	582 693	798 224
Investment portfolio	25	635 297	493 268
Loans and advances to customers	26	11 871 849	10 515 665
Other loans and advances	26	191 930	207 863
Other securitised assets	27	106 218	118 143
Interests in associated undertakings and joint venture holdings	28	54 391	53 451
Deferred taxation assets	29	130 657	148 351
Other assets	30	1 425 868	1 028 611
Property and equipment	31	216 955	99 796
Investment properties	32	–	14 500
Goodwill	33	261 183	356 048
Intangible assets	34	71 954	85 022
		24 924 703	**22 636 653**
Liabilities			
Deposits by banks		1 419 298	1 330 843
Derivative financial instruments	23	1 245 333	707 692
Other trading liabilities	36	118 572	80 217
Repurchase agreements and cash collateral on securities lent	19	396 811	314 335
Customer accounts (deposits)		15 280 302	13 150 824
Debt securities in issue	37	1 467 870	2 454 551
Liabilities arising on securitisation of other assets	27	110 679	113 711
Current taxation liabilities		26 905	131 896
Deferred taxation liabilities	29	21 438	20 704
Other liabilities	38	1 661 636	1 242 909
		21 748 844	**19 547 682**
Subordinated liabilities	40	787 030	803 699
		22 535 874	**20 351 381**
Equity			
Ordinary share capital	41	202	200
Perpetual preference share capital	42	29	29
Share premium	43	831 577	1 382 732
Treasury shares	44	(140 559)	(113 651)
Other reserves		(147 971)	(175 878)
Retained income		1 592 182	928 753
Shareholders' equity excluding non-controlling interests		**2 135 460**	**2 022 185**
Other Additional Tier 1 securities in issue	45	250 000	250 000
Non-controlling interests in partially held subsidiaries	46	3 369	13 087
Total equity		**2 388 829**	**2 285 272**
Total liabilities and equity		**24 924 703**	**22 636 653**

Fani Titi
Chief executive officer

17 June 2020

For the year to 31 March £'000	Notes	2020	2019^
Profit before taxation adjusted for non-cash items	48	230 788	324 311
Taxation paid		(27 968)	(109 850)
Adjustment for adoption of IAS 12 non-cash item	59	–	3 207
Increase in operating assets	48	(3 957 669)	(1 229 253)
Increase in operating liabilities	48	2 190 980	1 964 526
Net cash (outflow)/inflow from operating activities		**(1 563 869)**	**952 941**
Cash flow on disposal of group operations and subsidiaries		44 913	–
Derecognition of cash on disposal of subsidiaries and demerger of business		(209 708)	–
Cash flow on net disposal of non-controlling interests		9 459	30 931
Cash flow on net acquisition of associates and joint venture holdings		500	25 992
Cash flow on acquisition of property, equipment and intangible assets		(20 955)	(67 869)
Cash flow on disposal of property, equipment and intangible assets		1 474	2 940
Net cash (outflow) from investing activities		**(174 317)**	**(8 006)**
Dividends paid to ordinary shareholders		(96 498)	(109 334)
Dividends paid to other equity holders		(38 336)	(31 480)
Cash flow on issue of shares, net of related costs		64 644	65 622
Cash flow on acquisition of treasury shares, net of related costs		(45 760)	(42 227)
Proceeds from issue of debt instruments		–	415 687
Redemption/maturity of debt instruments		–	(335 541)
Lease liabilities paid		(53 109)	–
Net cash (outflow) from financing activities		**(169 059)**	**(37 273)**
Effects of exchange rates on cash and cash equivalents		**(5 574)**	**(3 994)**
Net (decrease)/increase in cash and cash equivalents		**(1 912 819)**	**903 668**
Cash and cash equivalents at the beginning of the year		5 257 202	4 353 534
Cash and cash equivalents at the end of the year		**3 344 383**	**5 257 202**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 277 318	4 445 431
On demand loans and advances to banks		1 067 065	811 771
Cash and cash equivalents at the end of the year		**3 344 383**	**5 257 202**

^ *Restated as detailed in note 59.*

Cash and cash equivalents have a maturity profile of less than three months.

Cash flows from discontinued operations

Cash inflows from operating activities of £37.6 million (31 March 2019: cash outflows of £3.3 million), cash outflows from investing activities of £11.9 million (31 March 2019: cash outflows of £4.3 million) and cash outflows from financing activities of £22.8 million (31 March 2019: cash outflows of £14.1 million) were incurred in the year relating to discontinued operations. Cash flows from discontinued operations have been included in the consolidated statement of cash flow above.

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 31 March 2018	**195**	**29**	**1 317 115**	**(102 876)**
Adoption of IFRS 9	–	–	–	–
At 1 April 2018	**195**	**29**	**1 317 115**	**(102 876)**
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	–	–	–	–
Remeasurement of net defined benefit pension asset	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Share–based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non–controlling interests	–	–	–	–
Issue of ordinary shares	5	–	65 617	–
Net equity impact of non–controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	–	(10 775)
Transfer own credit reserve on sale of subordinated liabilities	–	–	–	–
At 31 March 2019	**200**	**29**	**1 382 732**	**(113 651)**
Movement in reserves 1 April 2019 – 31 March 2020				
Profit after taxation	–	–	–	–
Effect of rate change on deferred tax relating to adjustment for IFRS 9	–	–	–	–
Gains on realisation of debt instruments at FVOCI recycled through the income statement	–	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income^	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Gains attributable to own credit risk	–	–	–	–
Remeasurement of net defined benefit pension asset	–	–	–	–
Movement in post retirement benefit liabilities	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**–**
Share–based payments adjustments	–	–	–	–
Employee benefit liability recognised	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders	–	–	–	–
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non–controlling interests	–	–	–	–
Issue of ordinary shares	2	–	64 642	–
Capital reduction	–	–	(615 797)	–
Net equity impact of non–controlling interest movements	–	–	–	–
Movement of treasury shares	–	–	–	(26 908)
Distribution to shareholders	–	–	–	–
At 31 March 2020	**202**	**29**	**831 577**	**(140 559)**

^ *Restated as detailed in note 59.*

Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholders' equity excluding non–controlling interests**	Other Additional Tier 1 securities in issue	Non–controlling interests	**Total equity**
	Other reserves							
(131 158)	**10 151**	**1 846**	**–**	**979 649**	**2 074 951**	**250 000**	**15 750**	**2 340 701**
–	(7 619)	–	(55 388)	(148 924)	(211 931)	–	–	(211 931)
(131 158)	**2 532**	**1 846**	**(55 388)**	**830 725**	**1 863 020**	**250 000**	**15 750**	**2 128 770**
–	–	–	–	192 390	192 390	–	11 463	203 853
–	(47)	–	(817)	(708)	(1 572)	–	–	(1 572)
–	(1 907)	–	–	–	(1 907)	–	–	(1 907)
–	1 505	–	–	–	1 505	–	–	1 505
–	1	4 179	–	–	4 180	–	(413)	3 767
–	–	–	9 104	–	9 104	–	–	9 104
–	–	–	–	(1 924)	(1 924)	–	–	(1 924)
–	**(448)**	**4 179**	**8 287**	**189 758**	**201 776**	**–**	**11 050**	**212 826**
–	–	–	–	30 164	30 164	–	–	30 164
–	–	–	–	(109 334)	(109 334)	–	–	(109 334)
–	–	–	–	(490)	(490)	–	–	(490)
–	–	–	–	(16 880)	(16 880)	16 880	–	–
–	–	–	–	–	–	(16 880)	–	(16 880)
–	–	–	–	–	–	–	(14 110)	(14 110)
–	–	–	–	–	65 622	–	–	65 622
–	–	–	–	30 534	30 534	–	397	30 931
(31 452)	–	–	–	–	(42 227)	–	–	(42 227)
–	–	–	25 724	(25 724)	–	–	–	–
(162 610)	**2 084**	**6 025**	**(21 377)**	**928 753**	**2 022 185**	**250 000**	**13 087**	**2 285 272**
–	–	–	–	645 521	645 521	–	18 970	664 491
–	(1 514)	–	(247)	–	(1 761)	–	–	(1 761)
–	(1 372)	–	–	–	(1 372)	–	–	(1 372)
–	3 271	–	–	–	3 271	–	–	3 271
–	37 515	–	–	–	37 515	–	–	37 515
–	–	(897)	–	–	(897)	–	–	(897)
–	–	–	9 440	–	9 440	–	–	9 440
–	–	–		(1 217)	(1 217)	–	–	(1 217)
–	–	–	–	51	51	–	–	51
–	**37 900**	**(897)**	**9 193**	**644 355**	**690 551**	**–**	**18 970**	**709 521**
–	–	–	–	14 916	14 916	–	–	14 916
–	–	–	–	(7 263)	(7 263)	–	–	(7 263)
–	–	–	–	(96 498)	(96 498)	–	–	(96 498)
–	–	–	–	(549)	(549)	–	–	(549)
–	–	–	–	(16 880)	(16 880)	16 880	–	–
–	–	–	–	–	–	(16 880)	–	(16 880)
–	–	–	–	–	–	–	(20 907)	(20 907)
–	–	–	–	–	64 644	–	–	64 644
563	–	–	–	615 797	563	–	(18 212)	(17 649)
–	–	–	–	(972)	(972)	–	10 431	9 459
(18 852)	–	–	–	–	(45 760)	–	–	(45 760)
–	–	–	–	(489 477)	(489 477)	–	–	(489 477)
(180 899)	**39 984**	**5 128**	**(12 184)**	**1 592 182**	**2 135 460**	**250 000**	**3 369**	**2 388 829**

Basis of presentation

These annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the dual listed company (DLC) structure did not exist and, with this exception and the exclusion of certain other remuneration and related party disclosures, are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). For an understanding of the financial position, results and cash flows of the Investec DLC group, the user is referred to Investec's integrated annual report.

Investec DLC group consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a DLC structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role, and accordingly are reported as a single reporting entity under IFRS.

These group annual financial statements are prepared in accordance with IFRS, as adopted by the EU which comply with IFRS as issued by the International Accounting Standards Board (IASB). At 31 March 2020, 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 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, and liabilities for pension fund surpluses and deficits that have been measured at fair value.

As stated on page 150, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The group has elected to separately disclose the financial impact of a number of strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, the group considers it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement. In addition, the Asset Management business has been disclosed as a discontinued operation and the income statement for the prior period has been appropriately re-presented. Further details are given in note 59.

The accounting policies adopted by the group are consistent with the prior year except as noted below.

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

The implementation and impact of IFRS 16 is included on page 272. As permitted by IFRS 16, the group has applied a modified retrospective basis and therefore comparative information has not been restated.

Additionally, an amendment to IAS 12, effective for annual reporting periods beginning on or after 1 January 2019, is applied to the income tax consequences of distributions recognised on or after the beginning of the earliest comparative period, i.e. As a result of the tax relief of all payments on financial instruments that are classified as equity for accounting purposes previously taken directly to retained profits, will now be reported as a reduction to the tax charge in the income statement. Comparatives have been restated.

In addition to the changes noted above, IFRS 9, IAS 39 and IFRS 7 are all currently being reviewed as a result of planned reforms to interest rate benchmarks.

This is a global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative RFR in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The IFRS amendments include reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform by allowing entities to assume the benchmark interest rate is not altered as a result of IBOR reform.

Following endorsement of the amendments by the EU, the group has elected to early adopt the interest rate benchmark reform amendments for the current period. The amendments would have otherwise taken mandatory effect 1 January 2020.

This election reduces the effects of potential uncertainty arising from IBOR reform on the current period's financial statements. Had it not made this election, the uncertainty arising from IBOR reform could have resulted in the discontinuation of hedge relationships. The amendments are applied retrospectively to all designated hedge relationships that were either in force as of the start of the reporting period or designated subsequently. During the period the group has assessed the impact of IBOR reform on the designated hedge relationships and concluded that it was not necessary to apply the reliefs, which the amendments provide.

The reliefs allow the group to assume that the interest rate benchmark on which the cash flows of the hedged item and/or hedging instrument are based is not altered by IBOR reform.

The group expects that the IASB will issue further amendments to these standards concerning the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative RFR.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 50 to 113.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in Investec's integrated annual report.

Basis of consolidation

As discussed above, these annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the DLC structure did not exist.

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between the group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other component of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings and joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associated undertakings and joint venture holdings.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains or losses within the group that do not reflect an impairment to the asset are eliminated in full regarding subsidiaries and to the extent of the interest in associated undertakings and joint venture holdings.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision-makers which are considered to be executive members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions, namely Asset Management (until the demerger discussed in note 1), Wealth & Investment and Specialist Banking.

Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-led activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group.

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.

Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that has either been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit and loss after tax from discontinued operations in the income statement.

Additional disclosures are provided in note 35. All other notes to the financial statements include the amounts for continuing operations, unless otherwise indicated.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees. 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.

The loss of control of an employing subsidiary of the group gives rise to an acceleration of the equity settled share based payments charge for the related employees and on loss of control, the group recognises the amount that would have been recognised for the award if it remained in place on its original terms.

Employee benefits

The group operates various defined contribution schemes and one closed defined benefit scheme.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit scheme are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the scheme's liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the scheme's assets exceed or fall short of the scheme's liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The long-term employment benefits liability relates to the obligation of Investec to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in Other liabilities on the balance sheet.

The group has no liabilities for other post retirement benefits.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec 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 recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions

On loss of control of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income. Interest income on debt instruments at amortised cost or fair value through OCI is recognised in the income statement using the effective interest 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 or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management 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 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 group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation 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.

Equity securities measured at fair value with fair value movements presented in other comprehensive income

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where the group holds the investments other than to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss (except for dividend income, which 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 cashflows.

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 the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

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 valuation adjustment (CVA).

Hedge accounting

When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or hedge accounting of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value 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 is 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 are attributable to the hedged risk are also recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-zero fair value, and notional and timing differences between the hedged items and hedging instruments.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent Investec plc shares repurchased by the group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

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 plc shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on balance sheet. Proceeds received are recorded as a liability on 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 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.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

• Computer and related equipment	20% to 33%
• Motor vehicles	20% to 25%
• Furniture and fittings	10% to 20%
• Freehold buildings	2%
• Right of use assets*	
• Leasehold property and improvements*	

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.*

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.

Leases

At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset.

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the date, discounted using the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently re-measured when there is a change in future lease payments arising from a change in index or rate, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless other systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property, plant and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities. Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

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 are 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 (currently three to twenty 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
- Temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the 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 taxation assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on 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 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 is effective from 1 January 2023 and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on page 58 to 63 in section 3, page 164 to 166 of section 3 and throughout section 4, the annual financial statements.
- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.
- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 14.

Details of unlisted investments can be found in note 25 with further analysis contained in the risk management section on pages 83 to 84.

- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs can be found on pages 58 to 63.
- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.
- In making any estimates, management's judgement has been based on various factors, including:
  - the current status of tax audits and enquiries;
  - the current status of discussions and negotiations with the relevant tax authorities;
  - the results of any previous claims; and
  - any changes to the relevant tax environments.
- In accordance with IFRS 16 Leases, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease. The discount rate is the rate implicit in the lease unless this cannot be readily determined in which case the lessee's incremental borrowing rate is used instead. For each lease entered prior to 1 April 2019, the incremental borrowing rate at initial application has been used. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate applied for the purposes of IFRS 16, is the wholesale borrowing rate quoted 1-5 year tenors and in currency as the group has reliable data points available in order to be able to arrive at the final discount rate. This is a key requirement for determining an incremental borrowing rate and therefore the wholesale funding rate has been determined to be the most appropriate for this type of borrowing.
- As part of the demerger of Investec Asset Management (IAM), management had to determine the fair value of the portion of the investment in IAM distributed to shareholders and the fair value of the portion retained. This valuation was performed by an independent external valuation expert by applying four different valuation techniques to determine an accepted value range. This range was further compared to expected values published in external analyst reports.

1. Segmental business analysis – income statement

Segmental business analysis – income statement For the year to 31 March 2020 £'000	Wealth & Investment	Specialist Banking	Group costs	**Total group**
Continuing operations				
Net interest income	12 604	384 781	–	397 385
Fee and commission income	305 090	190 946	–	496 036
Fee and commission expense	(678)	(13 158)	–	(13 836)
Investment income	(436)	6 811	–	6 375
Share of post-taxation profit of associates and joint venture holdings	–	5 382	–	5 382
Trading income arising from				
– customer flow	862	50 118	–	50 980
– balance sheet management and other trading activities	108	(645)	–	(537)
Other operating income	181	6 283	–	6 464
Total operating income before expected credit loss impairment charges	**317 731**	**630 518**	**–**	**948 249**
Expected credit loss impairment release/(charges)	1	(75 801)	–	(75 800)
Operating income	**317 732**	**554 717**	**–**	**872 449**
Operating costs	(254 714)	(449 790)	(36 288)	(740 792)
Depreciation on operating leased assets	–	(1 407)	–	(1 407)
Operating profit before acquired intangibles and strategic actions from continuing operations	**63 018**	**103 520**	**(36 288)**	**130 250**
Profit attributable to other non-controlling interests	–	(864)	–	(864)
Adjusted operating profit from continuing operations	**63 018**	**102 656**	**(36 288)**	**129 386**
Operating profit before strategic actions from discontinued operations				**109 103**
Profit attributable to non-controlling interests of discontinued operations				(18 106)
Operating profit before acquired intangibles, strategic actions and after non-controlling interests				**220 383**
Selected returns and key statistics				
Cost to income ratio*	80.2%	71.6%	n/a	78.3%
Total assets (£'million)	1 013	23 912	n/a	24 925

^ *Restated as detailed in note 59.*

1. Segmental business analysis – income statement *(continued)*

Segmental business analysis – income statement^ For the year to 31 March 2019 £'000	Wealth & Investment	Specialist Banking	Group costs	**Total group**
Continuing operations				
Net interest income	9 189	376 637	–	385 826
Fee and commission income	306 070	194 432	–	500 502
Fee and commission expense	(724)	(12 720)	–	(13 444)
Investment income	1 185	89 348	–	90 533
Share of post-taxation profit of associates and joint venture holdings	–	2 950	–	2 950
Trading income arising from				
– customer flow	793	85 973	–	86 766
– balance sheet management and other trading activities	(1)	12 726	–	12 725
Other operating income	342	10 134	–	10 476
Total operating income before expected credit loss impairment charges	**316 854**	**759 480**	**–**	**1 076 334**
Expected credit loss impairment charges	(24)	(24 532)	–	(24 556)
Operating income	**316 830**	**734 948**	**–**	**1 051 778**
Operating costs	(246 202)	(545 654)	(31 518)	(823 374)
Depreciation on operating leased assets	–	(2 137)	–	(2 137)
Operating profit before acquired intangibles and strategic actions from continuing operations	**70 628**	**187 157**	**(31 518)**	**226 267**
Loss attributable to other non-controlling interests	–	4 479	–	4 479
Adjusted operating profit from continuing operations	**70 628**	**191 636**	**(31 518)**	**230 746**
Operating profit before strategic actions from discontinued operations				**107 835**
Profit attributable to non-controlling interests of discontinued operations				(15 942)
Operating profit before acquired intangibles, strategic actions and after non-controlling interests				**322 639**
Selected returns and key statistics				
Cost to income ratio*	77.7%	71.6%	n/a	76.3%
Total assets (£'million)	866	21 327	n/a	22 193

^ *Restated as detailed in note 59.*

2. Net interest income

This note analyses net interest income from the group's continuing operations.

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest income	2019^ Balance sheet value	2019^ Interest income
Cash, near cash and bank debt and sovereign debt securities	1	7 438 637	73 916	7 593 896	61 873
Loans and advances	2	11 871 849	591 615	10 515 665	582 298
Private client		5 075 380	191 210	4 197 181	165 397
Corporate, institutional and other clients		6 796 469	400 405	6 318 484	416 901
Other debt securities and other loans and advances#		877 866	101 721	706 128	78 843
Finance lease receivables*		322 211	17 144	–	–
Total interest-earning assets		**20 510 563**	**784 396**	**18 815 689**	**723 014**

For the year to 31 March £'000	Notes	2020 Balance sheet value	2020 Interest expense	2019^ Balance sheet value	2019^ Interest expense
Deposits by banks and other debt-related securities**	3	3 283 979	137 594	4 099 729	131 404
Customer accounts (deposits)**		15 280 302	184 747	13 150 824	154 733
Subordinated liabilities		787 030	48 319	803 699	51 051
Lease liabilities*		478 558	16 351	–	–
Total interest-bearing liabilities		**19 829 869**	**387 011**	**18 054 252**	**337 188**
Net interest income			**397 385**		**385 826**
Net interest margin			**2.02%**		**2.16%**

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.*

^ *Restated as detailed in note 59.*

* *The group adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest income and interest expense on the unwind of finance lease receivables and lease liabilities respectively. The prior period comparatives have not been restated.*

Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.

** *As at 31 March 2020, certain Investec structured products amounting to £823 million have been reclassified from Debt securities in issue to Customer accounts (deposits) in order to better reflect the underlying characteristics, contractual terms and liquidity of these products. The prior year balance of £825 million has not been restated. Please refer to page 242 for further information.*

3. Net fee and commission income

This note analyses net fee and commission income from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Wealth & Investment businesses net fee and commission income	**304 412**	**305 346**
Fund management fees/fees for assets under management	261 093	258 299
Private client transactional fees	43 997	47 771
Fee and commission expense	(678)	(724)
Specialist Banking net fee and commission income	**177 788**	**181 712**
Corporate and institutional transactional and advisory services	179 296	183 787
Private client transactional fees	11 650	10 645
Fee and commission expense	(13 158)	(12 720)
Net fee and commission income	**482 200**	**487 058**
Annuity fees (net of fees payable)	280 214	275 966
Deal fees	201 986	211 092

^ *Restated as detailed on in note 59.*

4. Investment income

This note analyses investment income from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Realised	66 355	19 256
Unrealised*	(65 633)	60 311
Dividend income	2 899	4 233
Funding and other net related income	2 754	6 733
	6 375	**90 533**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	**Total investment portfolio**	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	**Total**
2020								
Realised	(765)	51 161	15 558	65 954	4 274	(3 616)	(257)	66 355
Unrealised*	(8 446)	(39 918)	(7 329)	(55 693)	(3 743)	1 814	(8 011)	(65 633)
Dividend income	7	2 892	–	2 899	–	–	–	2 899
Funding and other net related income	–	–	–	–	–	2 754	–	2 754
	(9 204)	**14 135**	**8 229**	**13 160**	**531**	**952**	**(8 268)**	**6 375**
2019^								
Realised	(7 566)	22 251	18 373	33 058	7 313	(7 231)	(13 884)	19 256
Unrealised*	(9 771)	45 416	(769)	34 876	1 530	13 267	10 638	60 311
Dividend income	72	4 161	–	4 233	–	–	–	4 233
Funding and other net related income	23	–	–	23	–	6 710	–	6 733
	(17 242)	**71 828**	**17 604**	**72 190**	**8 843**	**12 746**	**(3 246)**	**90 533**

* *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*
^ *Restated as detailed in note 59.*

5. Other operating income

This note analyses other operating income from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Rental income from properties	1 193	1 422
(Losses)/gains on realisation of properties	(18)	503
Unrealised (losses)/gains on other investments	(17)	1 489
Income from operating leases	2 046	4 853
Income from government grants	3 260	2 209
	6 464	**10 476**

^ *Restated as detailed in note 59.*

6. Expected credit loss impairment charges or (release)

This note analyses expected credit loss impairment charges from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Expected credit losses has arisen on the following items:		
Loans and advances to customers	73 581	35 324
Other loans and advances	5	(2 862)
Other balance sheet assets	462	(6 676)
Off-balance sheet commitments	1 752	(1 230)
	75 800	**24 556**

^ *Restated as detailed in note 59.*

7. Operating costs

This note analyses operating costs from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Staff compensation costs	516 531	588 508
– Salaries and wages (including directors' remuneration)**	411 442	482 701
– Share-based payment expense	30 193	31 890
– Social security costs	46 483	46 825
– Pensions and provident fund contributions	28 413	27 092
Training and other costs	11 142	13 842
Staff costs	527 673	602 350
Premises expenses***	40 225	50 349
– Premises expenses (excluding depreciation)	16 275	43 997
– Premises depreciation	23 950	6 352
Equipment expenses (excluding depreciation)	48 096	43 038
Business expenses*	86 296	95 676
Marketing expenses	28 781	23 949
Depreciation, amortisation and impairment on property, equipment and intangibles	9 721	8 012
	740 792	**823 374**
Depreciation on operating leased assets	1 407	2 137
	742 199	**825 511**

* *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.*
*** *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by £17.2 million as a result of recognising a right of use asset and to reduce the premises expense in the year to 31 March 2020. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*
^ *Restated as detailed in note 59.*

7. Operating costs *(continued)*

For the year to 31 March £'000	2020	2019^
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	**6 068**	**5 840**
Audit of the group's accounts	400	636
Audit of the group's subsidiaries pursuant to legislation	4 206	3 581
Audit related assurance services	662	629
Other assurance services	800	994
Total fees paid to the audit firm not in the capacity of being the group's auditor	**331**	**933**
Audit related assurance services	88	84
Tax compliance services	125	132
Tax advisory services	–	98
Services related to corporate finance transactions	18	180
Services related to information technology	100	32
Services related to other regulatory services	–	49
Other non-audit services	–	358
	6 399	**6 773**
KPMG fees		
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	**1 460**	**2 327**
Audit of the group's subsidiaries pursuant to legislation	395	578
Audit related assurance services	138	324
Other assurance services	927	1 425
Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor	**777**	**160**
Tax compliance services	280	72
Tax advisory services	474	42
Other non-audit services	23	46
	2 237	**2 487**
Total	**8 636**	**9 260**

^ *Restated as detailed in note 59.*

8. Share-based payments and employee benefits

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis. 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 in the remuneration report included in the Investec group's 2020 integrated annual report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	**Total group**
Share-based payments expense					
2020					
Equity-settled	1 744	5 160	20 951	5 213	33 068
Total income statement charge	**1 744**	**5 160**	**20 951**	**5 213**	**33 068**
2019					
Equity-settled	626	4 751	24 854	2 888	33 119
Total income statement charge	**626**	**4 751**	**24 854**	**2 888**	**33 119**

As part of the demerger, the employees of Investec Asset Management left the employment of Investec on mutual agreement. This resulted in the acceleration of the share-based payment charge of £1.4 million on the date of the demerger.

For the year to 31 March £'000	**2020**	2019
Weighted average fair value of options granted in the year		
UK schemes	**28 881**	**40 055**

	UK schemes			
	2020		**2019**	
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	22 239 595	0.05	22 465 788	0.07
Demerger of Investec Asset Management	(1 106 749)	0.00	–	0.00
Granted during the year	7 630 226	0.00	7 878 437	0.00
Exercised during the year^	(5 832 860)	0.00	(7 386 412)	0.02
Options forfeited during the year	(2 187 934)	0.25	(718 218)	0.52
Outstanding at the end of the year	**20 742 278**	**0.02**	**22 239 595**	**0.05**
Exercisable at the end of the year	**470 123**	**–**	**578 910**	**–**

^ *The weighted average share price during the year was £4.41 (2019: £5.11).*

8. Share-based payments and employee benefits *(continued)*

Additional information relating to options	2020	2019
Options with strike prices		
Exercise price range	£3.58 - £4.27	£5.03 – £6.00
Weighted average remaining contractual life	0.98 years	1.29 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.07 years	2.19 years
Weighted average fair value of options and long-term grants at measurement date	£3.79	£5.08
The fair value of options granted were calculated using a Black-Scholes option pricing model and shares granted were calculated at Market Price. For options & shares granted during the period, the inputs were as follows:		
– Share price at date of grant	£4.38 - £4.79	£4.93 – £5.59
– Exercise price	£nil	£nil
– Expected volatility	0.3	n/a
– Option life	4 - 7.25 Years	3 – 7 years
– Expected dividend yields	6.45%	n/a
– Risk-free rate	0.88%	n/a

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

In the current year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to Investec Australian staff *in lieu* of Ninety One plc shares.

The Fair Value of the Adjusted Share Awards was compared to the Fair Value of the Original Awards at 13 March 2020 and no incremental value was identified.

Long-term employment benefit liability – Ninety One shares

As part of the Investec Asset Management Limited ("IAM") demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to received one Ninety One plc share option for every two Investec plc share options they held. The Ninety One plc share options were granted on the same terms and vesting period as the Investec plc options they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share options, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £7 263 000 was calculated as the fair value of the liability at the date of demerger for the portion of the options already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2020 was £205 000.

8. Share-based payments and employee benefits *(continued)*

Details of options outstanding during the year	2020 Number of Ninety One options & shares	2020 Weighted average exercise price £
IAM Demerger-Ninety One Share Awards Issued 16 March 2020	9 354 422	0.02
Exercised during the year	(213 160)	0.00
Lapsed during the year	(20 178)	0.00
Outstanding at the end of the year	**9 121 084**	**0.02**
Exercisable at the end of the year	**213 483**	**–**

The exercise price range and weighted average remaining contractual life for market strike options outstanding at 31 March 2020, were as follows:

Additional information relating to options:	2020
Exercise price range	£2.90 - £3.46
Weighted average remaining contractual life	0.98 years
The exercise price range and weighted average remaining contractual life for LTIPs & LTSAs outsanding at 31 March 2020, were as follows:	
Exercise price range	£nil
Weighted average remaining contractual life	2.10 years

For the liability calculated on the date of demerger (16 March 2020) and as 31 March 2020, the inputs into the model were as follows:

Additional information relating to options:	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.	
– Share price at date of grant	£1.54
– Exercise price	Nil, £2.90-£3.46
– Expected volatility	56.82%
– Option life	0 - 7.45 years
– Expected dividend yields	0% - 8.01%
– Risk-free rate	0% - 0.68%

Management concluded that the share-price used to calculated the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share-price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

9. Taxation

This note analyses taxation from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Income statement tax charge		
Current taxation		
UK		
Current tax on income for the year	(15 078)	22 170
Adjustments in respect of prior years	(1 650)	(10 559)
Corporation tax before double tax relief	**(16 728)**	**11 611**
– Double tax relief	–	–
	(16 728)	**11 611**
Europe	2 765	2 868
Australia	208	183
Other	(311)	(577)
	2 662	2 474
Total current taxation	**(14 066)**	**14 085**
Deferred taxation		
UK	3 560	(17)
Europe	27	(1 791)
Australia	(13 244)	–
Other	2 091	–
Total deferred taxation	**(7 566)**	**(1 808)**
Total taxation charge for the year	**(21 632)**	**12 277**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	(706)	29 876
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(20 926)	(17 599)
	(21 632)	**12 277**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(9 210)	(14 013)
Changes in tax rates	1 285	2 408
Adjustment in respect of prior years	359	9 797
	(7 566)	**(1 808)**
The deferred taxation charge/(credit) in Income statement arise from:		
Deferred capital allowances	(1 873)	6 154
Income and expenditure accruals	(6 028)	204
Asset in respect of unexpired options	7 231	(47)
Unrealised fair value adjustment on financial instruments	782	(1 603)
Losses carried forward	(6 415)	(4 577)
Asset/(liability) in respect of pension deficit/(surplus)	(251)	15
Asset/(liability) in respect of pension contributions	218	(10)
Deferred tax on acquired intangibles	(947)	(2 197)
Other temporary differences	(283)	253
	(7 566)	**(1 808)**
The deferred taxation charge/(credit) in OCI/Equity arise from:		
Asset in respect of unexpired options	739	3 991
Unrealised fair value adjustment on financial instruments	8 619	(51 344)
Other temporary differences	–	(340)
	9 358	**(47 693)**

9. Taxation *(continued)*

For the year to 31 March £'000	2020	2019^
The rates of corporation tax for the relevant years are:	%	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**2 353**	**133 120**
Taxation on profit before taxation	**(21 632)**	**12 277**
Effective tax rate	**(919.3%)**	**9.2%**
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% (2019: 19%)	447	25 293
Taxation adjustments relating to foreign earnings	519	(1 862)
Taxation relating to prior years	(1 291)	(762)
Goodwill and non-operating items	1 905	1 137
Share options accounting expense	6 378	2 835
Non-taxable expense/(income)	1 030	(2 116)
Net other permanent differences	(17 141)	(1 353)
Capital gains – non-taxable/covered by losses	(2 323)	(5 242)
Movement in unrecognised trading losses	(12 441)	(8 061)
Change in tax rate	1 285	2 408
Total taxation charge as per income statement	**(21 632)**	**12 277**
Other comprehensive income taxation effects		
Gains on realisation of debt instruments at FVOCI recycled through the income statement	(1 372)	(1 908)
Pre-taxation	(1 694)	(2 355)
Taxation effect	322	447
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	3 271	1 457
Pre-taxation	3 604	2 043
Taxation effect	(333)	(586)
Remeasurement of net defined pension asset	–	51
Pre-taxation	–	51
Taxation effect	–	–
Own credit risk	9 440	7 578
Pre-taxation	12 460	12 016
Taxation effect	(3 020)	(4 438)
Statement of changes in equity taxation effects		
Additional Tier 1 Capital	(16 875)	(16 880)
Pre-taxation	(16 875)	(16 880)
Taxation effect	–	–
Share-based payment IFRS 2 adjustment	(317)	(2 140)
Pre-taxation	–	–
Taxation effect	(317)	(2 140)
IFRS 9 transitional adjustments	(1 761)	(211 931)
Pre-taxation	–	(275 999)
Taxation effect	(1 761)	64 068

^ *Restated as detailed in note 59.*

10. Dividends

For the year to 31 March £'000	2020 Pence per share	2020 Total	2019 Pence per share	2019 Total
Ordinary dividend				
Final dividend for prior year	13.5	62 863	13.5	65 357
Interim dividend for current year	11.0	33 635	11.0	43 977
Total dividend attributable to ordinary shareholders	**24.5**	**96 498**	**24.5**	**109 334**

In light of regulatory guidance provided to banks in both South Africa and the UK, the directors decided not to propose a final ordinary dividend (31 March 2019: 13.5 pence).

On 13 March 2020, the group successfully completed the demerger of its asset management business and distributed 55% of its shareholding in Ninety One group to the value of £489.5 million. This resulted in a distribution per ordinary shareholder of 73.4p.

For the year to 31 March £'000	2020 Pence per share	2020 Cents per share	2020 Total	2019 Pence per share	2019 Cents per share	2019 Total
Perpetual preference dividend						
Final dividend for prior year	8.73	482.09	274	7.26	485.35	236
Interim dividend for current year	8.77	488.21	275	7.93	476.30	254
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**17.50**	**970.30**	**549**	**15.19**	**961.65**	**490**

The directors have declared a final dividend in respect of the financial year ended 31 March 2020 of 8.43287 pence (Investec plc shares traded on the JSE Limited) and 8.43287 pence (Investec plc shares traded on the Channel Island Stock Exchange), and 468.29795 cents per Rand denominated perpetual preference share. The final dividend will be payable on 15 June 2020 to shareholders on the register at the close of business on 5 June 2020.

For the year to 31 March £'000	2020^	2019^
Dividend attributable to Other Additional Tier 1 securities	**16 880**	**16 880**

The £250 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities), issued on 5 October 2017, pay a distribution rate of 6.75% per annum quarterly after the initial short period distribution paid on 5 December 2017. The dividend is shown gross of UK corporation tax.

^ The dividend is shown gross of UK corporation tax following the amendment to IAS 12. The prior year has been restated as detailed in note 59.

11. Operating lease income and expenses

This note analyses operating lease income and expenses from the group's continuing operations.

For the year to 31 March £'000	2020	2019^
Operating lease expenses recognised in operating costs expenses:		
Minimum lease payments	107	28 014
Sub-lease income	–	(2 443)
	107	**25 571**
Operating lease income recognised in income:		
Minimum lease payments	–	30 907
Sub-lease payments	–	(35 760)
	–	**(4 853)**

On 1 April 2019 the group adopted IFRS 16 leases which replaced IAS 17 leases; this resulted in operating leases brought on balance sheet. The exemptions to this were short term leases which continued to be expensed and are presented above.

^ *Restated as detailed in note 35.*

12. Analysis of income and impairments by category of financial instrument

This note is an analysis of income and impairments by category of financial instrument from the group's continuing operations.

	At fair value through profit or loss		
	IFRS 9 mandatory		
For the year to 31 March £'000	Trading*	Non-trading*	Designated at inception
2020			
Net interest income/(expense)	(12 212)	68 162	(30 063)
Fee and commission income	19 207	5 190	–
Fee and commission expense	–	–	–
Investment income	8 229	366	789
Share of post-taxation profit of associates and joint venture holdings	–	–	–
Trading income arising from			
– customer flow	47 492	6 692	(3 204)
– balance sheet management and other trading activities	(8 653)	3 036	12 097
Other operating income	–	–	–
Total operating income/(expense) before expected credit loss	**54 063**	**83 446**	**(20 381)**
Expected credit loss impairment charges	–	–	–
Operating income/(expense)	**54 063**	**83 446**	**(20 381)**

* *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.*

For the year to 31 March £'000	Trading*	Non-trading*	Designated at inception
2019^			
Net interest income/(expense)	(5 287)	62 894	(38 507)
Fee and commission income	19 730	4 935	–
Fee and commission expense			
Investment income	17 287	50 576	4 521
Share of post-taxation profit of associates and joint venture holdings			
Trading income arising from			
– customer flow	80 767	5 362	9 925
– balance sheet management and other trading activities	895	(658)	11 171
Other operating income	–	–	–
Total operating income/(expense) before expected credit loss	**113 392**	**123 109**	**(12 890)**
Expected credit loss impairment charges	–	–	–
Operating income/(expense)	**113 392**	**123 109**	**(12 890)**

* *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.*
^ *Restated as detailed in note 59.*

At fair value through comprehensive income

Debt instruments with a dual business model	Amortised cost	Non- financial instruments	Other fee income	Total
35 481	329 217	799	6 001	397 385
–	103 729	–	367 910	496 036
–	(2 423)	–	(11 413)	(13 836)
1 809	808	(5 626)	–	6 375
–	–	5 382	–	5 382
–	–	–	–	50 980
–	(7 017)	–	–	(537)
–	2 046	1 175	3 243	6 464
37 290	**426 360**	**1 730**	**365 741**	**948 249**
–	(75 800)	–	–	(75 800)
37 290	**350 560**	**1 730**	**365 741**	**872 449**

Debt instruments with a dual business model	Amortised cost	Non- financial instruments	Other fee income	Total
29 876	313 748	–	23 102	385 826
–	84 634	39	391 163	500 502
–	(2 737)	–	(10 707)	(13 444)
2 034	2 969	13 146	–	90 533
–	–	2 988	(38)	2 950
–	–	–	(9 288)	86 766
–	1 317	–	–	12 725
–	–	6 778	3 698	10 476
31 910	**399 931**	**22 951**	**397 930**	**1 076 334**
	(24 556)	–	–	(24 556)
31 910	**375 375**	**22 951**	**397 930**	**1 051 778**

13. Analysis of financial assets and liabilities by category of financial instruments

At 31 March 2020 £'000	At fair value through profit or loss – IFRS 9 mandatory Trading*	Non–trading*	Designated at initial recognition
Assets			
Cash and balances at central banks	–	–	–
Loans and advances to banks	–	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	–
Sovereign debt securities	–	603 712	–
Bank debt securities	–	51 238	–
Other debt securities	–	217 364	–
Derivative financial instruments**	1 251 135	–	–
Securities arising from trading activities	325 546	6 200	250 947
Investment portfolio	–	376 239	–
Loans and advances to customers	–	653 338	–
Other loans and advances	–	–	–
Other securitised assets	–	–	106 218
Interests in associated undertakings and joint venture holdings	–	–	–
Deferred taxation assets	–	–	–
Other assets	27 221	–	–
Property and equipment	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	1 688 099	**1 908 091**	**357 165**
Liabilities			
Deposits by banks	–	–	336
Derivative financial instruments**	1 245 333	-	–
Other trading liabilities	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	–
Customer accounts (deposits)	–	–	–
Debt securities in issue	–	–	219 915
Liabilities arising on securitisation of other assets	–	–	110 679
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	1 385 584	**–**	**330 930**
Subordinated liabilities	–	–	343 233
	1 385 584	**–**	**674 163**

* *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 52 on pages 259 to 260.

At fair value through other comprehensive income					
Debt instrument with dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	**Non–financial instruments or scoped out of IFRS 9**	**Total BS**
–	–	–	2 277 318	–	2 277 318
–	–	–	1 794 165	–	1 794 165
–	–	84 197	1 543 049	–	1 627 246
1 084 958	–	1 688 670	–	–	1 688 670
–	–	51 238	–	–	51 238
–	–	217 364	468 572	–	685 936
–	–	1 251 135	–	–	1 251 135
–	–	582 693	–	–	582 693
–	259 058	635 297	–	–	635 297
421 841	–	1 075 179	10 796 670	–	11 871 849
–	–	–	191 930	–	191 930
–	–	106 218	–	–	106 218
–	–	–	–	54 391	54 391
–	–	–	–	130 657	130 657
–	–	27 221	888 198	510 449	1 425 868
–	–	–	–	216 955	216 955
–	–	–	–	261 183	261 183
–	–	–	–	71 954	71 954
1 506 799	**259 058**	**5 719 212**	**17 959 902**	**1 245 589**	**24 924 703**
–	–	336	1 418 962	–	1 419 298
–	–	1 245 333	–	–	1 245 333
–	–	118 572	–	–	118 572
–	–	21 679	375 132	–	396 811
–	–	–	15 280 302	–	15 280 302
–	–	219 915	1 247 955	–	1 467 870
–	–	110 679	–	–	110 679
–	–	–	–	26 905	26 905
–	–	–	–	21 438	21 438
–	–	–	1 057 076	604 560	1 661 636
–	**–**	**1 716 514**	**19 379 427**	**652 903**	**21 748 844**
–	–	343 233	443 797	–	787 030
–	**–**	**2 059 747**	**19 823 224**	**652 903**	**22 535 874**

13. Analysis of financial assets and liabilities by category of financial instruments

(continued)

At 31 March 2019 £'000	At fair value through profit or loss		
	IFRS 9 mandatory		
	Trading*	Non–trading*	Designated at initial recognition
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**	625 550	–	–
Securities arising from trading activities	283 071	7 117	508 036
Investment portfolio	–	493 268	–
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	–	73 844	–
Property and equipment	–	–	–
Investment properties	–	–	–
Goodwill	–	–	–
Intangible assets	–	–	–
	933 484	**1 992 645**	**626 179**
Liabilities			
Deposits by banks	–	–	–
Derivative financial instruments**	707 692	–	–
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 other assets	–	–	113 711
Current taxation liabilities	–	–	–
Deferred taxation liabilities	–	–	–
Other liabilities	–	–	–
	809 842	**–**	**482 606**
Subordinated liabilities	–	–	367 707
	809 842	**–**	**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 52 on pages 259 to 260.

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 BS
–	1	4 445 430	–	4 445 431
–	–	1 164 051	–	1 164 051
–	24 863	608 339	–	633 202
980 149	1 298 947	–	–	1 298 947
–	52 265	–	–	52 265
–	275 268	222 997	–	498 265
–	625 550	–	–	625 550
–	798 224	–	–	798 224
–	493 268	–	–	493 268
397 068	1 169 152	9 346 513	–	10 515 665
–	–	207 863	–	207 863
–	118 143	–	–	118 143
–	–	–	53 451	53 451
–	–	–	148 351	148 351
–	73 844	719 407	235 360	1 028 611
–	–	–	99 796	99 796
–	–	–	14 500	14 500
–	–	–	356 048	356 048
–	–	–	85 022	85 022
1 377 217	**4 929 525**	**16 714 600**	**992 528**	**22 636 653**
–	–			
–	–	1 330 843	–	1 330 843
–	707 692	–	–	707 692
–	80 217	–	–	80 217
–	21 933	292 402	–	314 335
–	–	13 150 824	–	13 150 824
–	368 895	2 085 656	–	2 454 551
–	113 711	–	–	113 711
–	–	–	131 896	131 896
–	–	–	20 704	20 704
–	–	839 938	402 971	1 242 909
–	**1 292 448**	**17 699 663**	**555 571**	**19 547 682**
–	367 707	435 992	–	803 699
-	**1 660 155**	**18 135 655**	**555 571**	**20 351 381**

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 category		
At 31 March 2020 £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	84 197	–	84 197	–
Sovereign debt securities	1 688 670	1 688 670	–	–
Bank debt securities	51 238	–	51 238	–
Other debt securities	217 364	–	74 369	142 995
Derivative financial instruments	1 251 135	–	1 221 490	29 645
Securities arising from trading activities	582 693	552 922	23 571	6 200
Investment portfolio	635 297	286 301	4 454	344 542
Loans and advances to customers	1 075 179	–	7 803	1 067 376
Other securitised assets	106 218	–	–	106 218
Other assets	27 221	27 221	–	–
	5 719 212	**2 555 114**	**1 467 122**	**1 696 976**
Liabilities				
Deposits by banks	336	–	–	336
Derivative financial instruments	1 245 333	13 853	1 204 799	26 681
Other trading liabilities	118 572	118 572	–	–
Repurchase agreements and cash collateral on securities lent	21 679	–	21 679	–
Debt securities in issue	219 915	–	219 915	–
Liabilities arising on securitisation of other assets	110 679	–	–	110 679
Subordinated liabilities	343 233	343 233	–	–
	2 059 747	**475 658**	**1 446 393**	**137 696**
Net assets at fair value	**3 659 465**	**2 079 456**	**20 729**	**1 559 280**

14. Fair value hierarchy *(continued)*

At 31 March 2019 £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
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	625 550	–	586 915	38 635
Securities arising from trading activities	798 224	767 337	23 769	7 118
Investment portfolio	493 268	13 244	6 582	473 442
Loans and advances to customers	1 169 152	–	19	1 169 133
Other securitised assets	118 143	–	–	118 143
Other assets	73 844	73 844	–	–
	4 929 525	**2 153 373**	**886 511**	**1 889 641**
Liabilities				
Derivative financial instruments	707 692	5 857	685 209	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	–	–
	1 660 155	**453 781**	**1 076 037**	**130 337**
Net assets/(liabilities) at fair value	**3 269 370**	**1 699 592**	**(189 526)**	**1 759 304**

Transfers between level 1 and level 2

During the current year there were no 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 the fair value measurements in level 3 of the fair value hierarchy:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Assets					
Balance as at 1 April 2018	**431 856**	**1 301 365**	**132 172**	**135 573**	**2 000 966**
Total gains or (losses)	21 788	69 261	(2 834)	16 865	105 080
In the income statement	21 788	69 056	(2 834)	16 865	104 875
In the statement of comprehensive income	–	205	–	–	205
Purchases	133 406	1 263 362	–	6 909	1 403 677
Sales	(60 117)	(889 145)	–	(8 404)	(957 666)
Settlements	(59 851)	(624 061)	(11 196)	(29 456)	(724 564)
Foreign exchange adjustments	6 360	48 351	1	7 436	62 148
Balance as at 31 March 2019	**473 442**	**1 169 133**	**118 143**	**128 923**	**1 889 641**
Total gains or (losses)	(30 452)	33 246	(1 425)	25 725	27 094
In the income statement	(30 452)	32 768	(1 425)	25 725	26 616
In the statement of comprehensive income	–	478	–	–	478
Purchases	37 944	1 349 058	–	59 048	1 446 050
Sales	(132 666)	(1 039 464)	–	(1 082)	(1 173 212)
Settlements	(6 214)	(475 929)	(10 500)	(33 357)	(526 000)
Transfers into level 3	106	–	–	–	106
Transfers out of level 3	(4 785)	–	–	–	(4 785)
Foreign exchange adjustments	7 167	31 332	–	(417)	38 082
Balance as at 31 March 2020	**344 542**	**1 067 376**	**106 218**	**178 840**	**1 696 976**

1. *Comprises of other debt securities, derivative financial instruments and securities arising from trading.*

For the year ended 31 March 2020, there were no transfers from level 3 into level 2. There were transfers from level 3 into level 1 of £4.8 million due to the listing of two securities during the year (31 March 2019: £nil). In the current year, there were £106k assets transfers from level 2 to level 3 as the inputs are no longer based on observable market data (31 March 2019: £nil).

14. Fair value hierarchy *(continued)*

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 2018	**127 853**	**15 641**	**143 494**
Total gains or (losses)	(5 084)	(12 653)	(17 737)
In the income statement	(5 084)	(12 653)	(17 737)
Purchases	–	23 798	23 798
Sales	–	(11 800)	(11 800)
Settlements	(9 058)	–	(9 058)
Transfers into level 3	–	2 854	2 854
Foreign exchange adjustments	–	(1 214)	(1 214)
Balance as at 1 April 2019	**113 711**	**16 626**	**130 337**
Total (gains) or losses	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
Purchases	–	390	390
Issues	7 306	–	7 306
Settlements	(8 244)	(719)	(8 963)
Foreign exchange adjustments	–	379	379
Balance as at 31 March 2020	**110 679**	**27 017**	**137 696**

2. *Comprises of deposits by banks and derivative financial instruments.*

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

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
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Fee and commission income	(3 184)	–	(3 184)
Investment income*	(54 138)	62 866	(117 004)
Trading income arising from customer flow	(1 895)	–	(1 895)
	18 369	**123 788**	**(105 419)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	1 694	1 694	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	478	–	478
	2 172	**1 694**	**478**
2019			
Total gains or (losses) included in the income statement for the year			
Net interest income Investment income	99 951	86 118	13 833
Investment income	25 934	1 939	23 995
Trading income arising from customer flow	(3 272)	1 348	(4 620)
	122 613	**89 405**	**33 208**
Total gains or (losses) included in other comprehensive income for the year			
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	205	–	205
	205	**–**	**205**

* *Included within the investment income balance are unrealised losses of £75.8 million presented within operational items in the income statement.*

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 2020 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

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

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 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 418	(12 430)
		Credit spreads	0.38% -0.88%	23	(144)
		Discount rate	5.56%	7	(43)
		Underlying asset value^^	^^	454	(442)
		Other^	^	3 934	(11 801)
Derivative financial instruments	29 645	Potential impact on income statement		8 232	(8 846)
		Volatilities	4.1% - 25.3%	94	(283)
		Cash flow adjustments	CPR 6.8%	33	(31)
		Underlying asset value^^	^^	7 891	(7 891)
		Other^	^	214	(641)
Securities arising from trading activities	6 200	Potential impact on income statement			
		Cash flow adjustments	CPR 9.8%	736	(869)
Investment portfolio	344 542	Potential impact on income statement		41 679	(103 105)
		Price earnings multiple	5.3x -9.7x	5 210	(12 742)
		Underlying asset value^^	^^	9 553	(8 695)
		Other^	^	26 916	(81 668)
Loans and advances to customers	1 067 376	Potential impact on income statement		19 020	(51 451)
		Credit spreads	0.05% -5.9% & PAR	1 099	(7 041)
		Price earnings multiple	3.85x-7x	636	(466)
		Underlying asset value^^	^^	647	(352)
		Other^	^	16 638	(43 592)
		Potential impact on other comprehensive income			
		Credit spreads	0.03% -5.8% & PAR	4 645	(724)
Other securitised assets	106 218	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8% -7.5%	2 543	(2 530)
Total level 3 assets	**1 696 976**			**81 273**	**(179 955)**
Liabilities					
Deposits by banks	336	Potential impact on income statement		–	48
		Underlying asset value^^	^^	–	48
Derivative financial instruments	26 681	Potential impact on income statement		(7 929)	7 937
		Discount rate	5.6%	(24)	4
		Volatilities	4.1% -25.3%	(14)	42
		Underlying asset value^^	^^	(7 891)	7 891
Liabilities arising on securitisation of other assets*	110 679	Potential impact on income statement			
		Cash flow adjustments	CPR 6.8%	(546)	489
Total level 3 liabilities	**137 696**			**(8 475)**	**8 474**
Net level 3 assets	**1 559 280**				

* *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 and 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 direct investments portfolio in rundown there are exposures within the investment portfolio with a balance sheet value of £26 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £2.8 million and a unfavourable change of £8.4 million, included within the table above.

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
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	473 442	Potential impact on income statement		109 007	(79 083)
		Price earnings multiple	3.2 x – 9.0 x	8 852	(8 563)
		Underlying asset value^^	^^	16 426	(10 448)
		Other^	^	83 729	(60 072)
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	**1 889 641**			**201 530**	**(172 354)**
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	**1 759 304**				

* *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 rate and 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.*

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.

Cash flows

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

Price earnings multiple

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

EBITDA

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

Underlying asset value

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

15. Fair value of financial instruments at amortised cost

At 31 March 2020 £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks^	2 277 318	2 277 318	^	^	^
Loans and advances to banks	1 794 165	1 794 008	1 637 890	151 223	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 542 976	1 383 433	159 543	–
Other debt securities	468 572	436 005	4 733	423 735	7 537
Loans and advances to customers	10 796 670	10 827 537	5 629	1 139 085	9 682 823
Other loans and advances	191 930	179 688	29 514	150 174	–
Other assets	888 198	888 109	581 464	285 170	21 475
	17 959 902	**17 945 641**			
Liabilities					
Deposits by banks	1 418 962	1 422 256	106 188	1 312 166	3 902
Repurchase agreements and cash collateral on securities lent	375 132	388 347	312 287	76 060	–
Customer accounts (deposits)	15 280 302	15 289 008	8 457 109	6 831 899	–
Debt securities in issue	1 247 955	1 261 581	491 502	770 079	–
Other liabilities	1 057 076	1 056 279	677 028	324 635	54 616
Subordinated liabilities	443 797	409 723	409 723	–	–
	19 823 224	**19 827 194**			

^ *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 which are included in customer accounts (deposits) and variable rate instruments.

15. Fair value of financial instruments at amortised cost *(continued)*

At 31 March 2019 £'000	Carrying amount	Fair value	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks^	4 445 430	4 445 430	^	^	^
Loans and advances to banks	1 164 051	1 164 028	1 149 852	5 825	8 351
Reverse repurchase agreements and cash collateral on securities borrowed	608 339	608 354	508 232	100 122	–
Other debt securities	222 997	213 413	7 360	136 524	69 529
Loans and advances to customers	9 346 513	9 398 053	–	967 844	8 430 209
Other loans and advances	207 863	209 757	329	206 973	2 455
Other assets	719 407	720 053	483 363	216 490	20 200
	16 714 600	**16 759 088**			
Liabilities					
Deposits by banks	1 330 843	1 337 090	169 805	1 167 285	–
Repurchase agreements and cash collateral on securities lent^	292 402	292 402	^	^	^
Customer accounts (deposits)	13 150 824	13 119 684	6 784 213	6 327 268	8 203
Debt securities in issue	2 085 656	2 120 183	470 405	1 649 778	–
Other liabilities	839 938	838 751	540 627	244 130	53 994
Subordinated liabilities	435 992	433 112	433 112	–	–
	18 135 656	**18 141 222**			

^ *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 which are included in customer accounts (deposits) and variable rate 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.

16. Designated at fair value

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
Financial assets designated at fair value through profit or loss						
2020						
Securities arising from trading activities	250 947	(31 876)	(24 112)	(2 236)	(2 158)	250 947
Other securitised assets	106 218	(3 959)	(9 332)	(3 959)	(9 332)	106 218
	357 165	**(35 835)**	**(33 444)**	**(6 195)**	**(11 490)**	**357 165**
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**

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
Group						
Financial liabilities designated at fair value through profit or loss						
2020						
Deposits by banks	336	1 478	(637)	(637)	–	–
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Liabilities arising on securitisation of other assets	110 679	122 496	(2 261)	(11 912)	(2 261)	(11 912)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	674 163	**671 492**	**(56 125)**	**(5 708)**	**(17 053)**	**701**
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**

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.

17. Cash and balances at central banks

At 31 March £'000	2020	2019
Gross cash and balances at central banks	2 277 318	4 445 432
Expected credit loss	–	(1)
Net cash and balances at central banks	**2 277 318**	**4 445 431**
The country risk of cash and balances at central banks lies in the following geographies:		
United Kingdom	2 235 296	4 404 487
Europe (excluding UK)	42 022	40 944
	2 277 318	**4 445 431**

18. Loans and advances to banks

At 31 March £'000	2020	2019
Gross loans and advances to banks	1 794 224	1 164 116
Expected credit loss	(59)	(65)
Net loans and advances to banks	**1 794 165**	**1 164 051**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	9 916	18 997
United Kingdom	811 502	635 468
Europe (excluding UK)	546 896	324 920
Australia	132 245	97 192
United States of America	270 782	65 647
Other	22 824	21 827
	1 794 165	**1 164 051**

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

At 31 March £'000	**2020**	2019
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 627 250	633 204
Expected credit loss	(4)	(2)
Net reserve repurchase agreements and cash collateral on securities borrowed	**1 627 246**	**633 202**
Reverse repurchase agreements	1 597 446	575 891
Cash collateral on securities borrowed	29 800	57 311
	1 627 246	**633 202**
As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge £371 million (2019: £103 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	370 910	201 022
Cash collateral on securities lent	25 901	113 313
	396 811	**314 335**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £37 million (2019: £105 million). They are pledged as security for the term of the underlying repurchase agreement.

20. Sovereign debt securities

At 31 March £'000	2020	2019
Gross sovereign debt securities	1 688 670	1 298 947
Expected credit loss	–	–
Net sovereign debt securities	**1 688 670**	**1 298 947**
Government securities	794 308	405 695
Treasury bills	894 362	893 252
	1 688 670	**1 298 947**
The country risk of the sovereign debt securities lies in the following geographies:		
United Kingdom	1 189 195	1 069 409
Europe (excluding UK)*	45 359	13 460
United States of America	435 562	216 078
Australia	18 554	–
	1 688 670	**1 298 947**

* *Where Europe (excluding UK) includes securities held largely in Germany and France.*

21. Bank debt securities

At 31 March £'000	2020	2019
Bonds	51 238	52 265
	51 238	**52 265**
The country risk of bank debt securities lies in the following geographies:		
United Kingdom	51 238	52 265
	51 238	**52 265**

22. Other debt securities

At 31 March £'000	2020	2019
Gross other debt securities	686 704	498 638
Expected credit loss	(768)	(373)
Net other debt securities	**685 936**	**498 265**
Bonds	219 226	215 631
Asset-based securities	466 710	282 634
	685 936	**498 265**
The country risk of other debt securities lies in the following geographies:		
United Kingdom	192 199	165 469
Europe (excluding UK)	94 217	95 135
United States of America	328 268	152 404
Other	71 252	85 257
	685 936	**498 265**

23. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as 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.

	2020			2019		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	19 242 983	320 673	364 852	16 423 044	215 150	125 361
Currency swaps	566 764	38 115	44 214	1 012 208	63 176	58 219
OTC options bought and sold	2 199 686	47 388	50 573	5 180 061	28 053	23 856
	22 009 433	**406 176**	**459 639**	**22 615 313**	**306 379**	**207 436**
Interest rate derivatives						
Caps and floors	9 449 836	21 618	17 912	7 857 100	13 182	5 625
Swaps	32 638 653	308 834	118 350	27 025 955	139 842	96 750
OTC derivatives	**42 088 489**	**330 452**	**136 262**	**34 883 055**	**153 024**	**102 375**
Exchange traded futures	744 388	50	36	–	–	–
	42 832 877	**330 502**	**136 298**	**34 883 055**	**153 024**	**102 375**
Equity and stock index derivatives						
OTC options bought and sold	6 228 658	308 070	107 633	6 796 107	91 242	158 053
Equity swaps and forwards	7 412	–	786	232 249	1 410	439
OTC derivatives	**6 236 070**	**308 070**	**108 419**	**7 028 356**	**92 652**	**158 492**
Exchange traded futures	286 862	–	–	467 477	7	–
Exchange traded options	9 896 516	–	237 424	10 689 326	–	153 046
Warrants	15 909	–	–	22 348	7 660	–
	16 435 357	**308 070**	**345 843**	**18 207 507**	**100 319**	**311 538**
Commodity derivatives						
OTC options bought and sold	483 474	42 191	49 487	257 431	7 896	14 593
Commodity swaps and forwards	974 060	147 963	141 701	769 662	36 870	34 227
	1 457 534	**190 154**	**191 188**	**1 027 093**	**44 766**	**48 820**
Credit derivatives	**1 090 981**	**14 096**	**112 365**	**1 152 409**	**10 211**	**37 523**
Other derivatives		**2 137**			**10 851**	
Derivatives per balance sheet		**1 251 135**	**1 245 333**		**625 550**	**707 692**

24. Securities arising from trading activities

At 31 March £'000	2020	2019
Asset-backed securities	6 200	7 118
Bonds	125 547	110 616
Government securities	372 785	419 350
Listed equities	78 161	261 140
	582 693	**798 224**

25. Investment portfolio

At 31 March £'000	2020	2019
Listed equities^	286 712	21 189
Unlisted equities*	348 585	472 079
	635 297	**493 268**

* *Unlisted equities includes loan instruments that are convertible into equity.*
^ *Listed equities at 31 March 2020 includes the shares in Ninety-One group retained following the demerger as explained in note 35.*

26. Loans and advances to customers and other loans and advances

At 31 March £'000	2020	2019
Gross loans and advances to customers at amortised cost	10 970 059	9 494 393
Gross loans and advances to customers at FVOCI	421 841	397 068
Gross loans and advances to customers subject to expected credit losses	**11 391 900**	**9 891 461**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(173 389)	(147 880)
Net loans and advances to customers at amortised cost and FVOCI^	**11 218 511**	**9 743 581**
Loans and advances to customers at fair value through profit and loss	653 338	772 084
Loans and advances to customers	**11 871 849**	**10 515 665**
Gross other loans and advances	191 992	207 936
Expected credit losses on other loans and advances	(62)	(73)
Net other loans and advances	**191 930**	**207 863**

^ *Expected credit losses above do not include £2 million (31 March 2019: £1 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.*

For further analysis on loans and advances refer to pages 66 to 77 in the risk management section.

26. Loans and advances to customers and other loans and advances *(continued)*

At 31 March £'000	2020
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	
Balance as at 31 March 2018	**151 840**
Adoption of IFRS 9	94 415
Balance as at 1 April 2018	**246 255**
Charge to the income statement	35 781
Reversals and recoveries recognised in the income statement	(453)
Write-offs	(139 532)
Transfers	4 606
Exchange adjustments	1 223
Balance at 31 March 2019	**147 880**
Charge to the income statement	73 355
Reversals and recoveries recognised in the income statement	(95)
Write-offs	(48 541)
Exchange adjustments	790
Balance at 31 March 2020	**173 389**
Expected credit loss of other loans and advances	
Balance as at 31 March 2018	**823**
Adoption of IFRS 9	2 064
Balance as at 1 April 2018	**2 887**
Charge to the income statement	(2 862)
Transfers	48
Balance at 31 March 2019	**73**
Charge to the income statement	5
Exchange adjustments	(16)
Balance at 31 March 2020	**62**

^ *Expected credit losses above do not include £2 million (31 March 2019: £1 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.*

27. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2020	2019
Other securitised assets are made up of the following categories of assets:		
Loans and advances to customers	100 081	111 312
Other debt securities	6 137	6 831
Total other securitised assets	**106 218**	**118 143**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of other assets	**110 679**	**113 711**

28. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2020	2019
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	54 252	53 010
Goodwill	139	441
Investment in associated undertakings and joint venture holdings	**54 391**	**53 451**
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	53 010	76 757
Exchange adjustments	(762)	56
Disposals	(313)	(26 319)
Acquisitions	–	188
Demerger of business	(37)	–
Share of post-taxation profit of associates and joint venture holdings^	5 478	3 100
Dividends received	(3 124)	(772)
At the end of the year	**54 252**	**53 010**
Analysis of the movement in goodwill:		
At the beginning of the year	441	302
Disposals	(302)	–
Acquisitions	–	139
At the end of the year	**139**	**441**

^ *Included within the Share of post-taxation profit from associates and joint venture holdings balance is profit of £96 000 (31 March 2019: £150 000) presented within operational items in the income statement.*

29. Deferred taxation

At 31 March £'000	2020	2019
Deferred taxation assets*	130 657	148 351
Deferred taxation liabilities	(21 438)	(20 704)
Net deferred taxation assets	**109 219**	**127 647**
The net deferred taxation assets arise from:		
Deferred capital allowances	37 407	36 105
Income and expenditure accruals	16 229	24 543
Asset in respect of unexpired options	9 022	17 081
Unrealised fair value adjustments on financial instruments	40 125	49 527
Losses carried forward	18 211	13 428
Assets in respect of pension deficit	315	32
Assets in respect of pension contributions	–	218
Deferred tax on acquired intangibles	(12 090)	(13 036)
Other temporary differences	–	(251)
Net deferred taxation assets	**109 219**	**127 647**
Reconciliation of net deferred taxation assets:		
At the beginning of the year	**127 647**	**76 263**
Adoption of IFRS 9	–	64 068
Balance as at 1 April	**127 647**	**140 331**
Charge to income statement – current year taxation	7 566	3 289
Charge directly in other comprehensive income	(9 358)	(16 314)
Arising on acquisitions/disposals	(16 602)	–
Exchange adjustments	(34)	341
At the year-end	**109 219**	**127 647**

* *Following the adoption of IFRS 9 on 1 April 2018, additional deferred tax assets of £64 million were recognised. The effect of this is included within the unrealised fair value adjustment on 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 £58.4 million (2019: £159 million), capital losses carried forward of £173.5 million (2019: £87.4 million) and excess management expenses of £3.7 million (2019: £8.6 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 to 17% effective from 1 April 2020 but this reduction was reversed in the Finance Bill 2020 and given statutory effect under the provision of the Provisional Collection of Taxes Act 1968. 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 2020.

30. Other assets

At 31 March £'000	**2020**	2019
Gross other assets	1 425 890	1 028 611
Expected credit loss	(22)	–
Net other assets	**1 425 868**	**1 028 611**
Settlement debtors	791 239	570 036
Trading properties	36 081	55 531
Prepayments and accruals	68 517	142 986
Pension assets	–	180
Trading initial margin	27 221	13 822
Finance lease receivables*	322 211	–
Other	180 599	246 056
	1 425 868	**1 028 611**

* *The group adopted IFRS 16 from 1 April 2019. The group has a head lease and sublease arrangement with external partners and has recognised finance lease receivables of £330 million and corresponding lease liabilities of £325 million. The prior period comparatives have not been restated. Refer to implementation of IFRS 16 note 58.*

31. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	**Total**
2020							
Cost							
At the beginning of the year	36	–	92 637	7 860	31 569	10 208	142 310
Exchange adjustments	–	6	1 590	7	43	–	1 646
Additions**	–	244 005	16 897	88	2 306	184	263 480
Disposals	–	(3 437)	(1 603)	(421)	(4 302)	(3 182)	(12 945)
Demerger of business	–	(95 681)	(16 323)	–	(2 907)	–	(114 911)
Write off	–	–	(201)	–	–	–	(201)
At the end of the year	**36**	**144 893**	**92 997**	**7 534**	**26 709**	**7 210**	**279 379**
Accumulated depreciation							
At the beginning of the year	(36)	–	(19 606)	(2 171)	(13 074)	(7 627)	(42 514)
Exchange adjustments	–	(467)	348	(16)	40	–	(95)
Disposals	–	1 166	1 872	180	4 277	3 029	10 524
Demerger of business	–	8 660	1 105	–	1 883	–	11 648
Depreciation charge for continuing operations	–	(17 189)	(6 769)	(844)	(5 893)	(1 407)	(32 102)
Depreciation charge for discontinued operations	–	(9 116)	(260)	(24)	(485)	–	(9 885)
At the end of the year	**(36)**	**(16 946)**	**(23 310)**	**(2 875)**	**(13 252)**	**(6 005)**	**(62 424)**
Net carrying value	**–**	**127 947**	**69 687**	**4 659**	**13 457**	**1 205**	**216 955**
2019							
Cost							
At the beginning of the year	2 755	–	81 617	6 487	37 863	10 758	139 480
Exchange adjustments	–	–	906	445	(64)	–	1 287
Additions	–	–	43 426	5 824	11 547	244	61 041
Disposals	(2 719)	–	(33 312)	(4 896)	(17 777)	(794)	(59 498)
At the end of the year	**36**	**–**	**92 637**	**7 860**	**31 569**	**10 208**	**142 310**
Accumulated depreciation							
At the beginning of the year	(395)	–	(46 751)	(5 995)	(25 786)	(6 060)	(84 987)
Exchange adjustments	–	–	610	(23)	85	–	672
Disposals	359	–	33 704	4 823	17 232	570	56 688
Depreciation charge for year	–	–	(7 169)	(976)	(4 605)	(2 137)	(14 887)
At the end of the year	**(36)**	**–**	**(19 606)**	**(2 171)**	**(13 074)**	**(7 627)**	**(42 514)**
Net carrying value	**–**	**–**	**73 031**	**2 689**	**18 495**	**2 581**	**99 796**

* *These are assets held by the group, in circumstances where the group is the lessor.*
** *Additions include transfers from work in progress reported in other assets in the prior year. The group adopted IFRS 16 from 1 April 2019 and as a result recognised right of use assets included within additions of £223 million. The prior period comparatives have not been restated. Refer to implementation of IFRS 16 note 58.*
^ *Right of use assets primarily comprises property leases under IFRS 16.*

On 3 December 2010, the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.

32. Investment properties

At 31 March £'000	2020	2019
At the beginning of the year	14 500	14 500
Additions	–	–
Disposals	(14 500)	–
Exchange adjustment	–	–
At the end of the year	**–**	**14 500**

The investment property was sold during the year. In the prior year the investment property was 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 or 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.

33. Goodwill

At 31 March £'000	2020	2019
Cost		
At the beginning of the year	384 982	385 199
Adjustment to goodwill on an acquisition within the measurement period	–	(44)
Disposals of subsidiaries	(6 910)	–
Demerger of asset management	(88 044)	–
Exchange adjustment	89	(173)
At the end of the year	**290 117**	**384 982**
Accumulated impairments	(28 934)	(28 934)
At the beginning of the year	**(28 934)**	**(28 934)**
Net carrying value	**261 183**	**356 048**
Analysis of goodwill by line of business		
Asset Management	–	88 044
Wealth & Investment	236 319	243 229
Specialist Banking	24 864	24 775
Total group	**261 183**	**356 048**

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 units giving rise to goodwill is Investec Wealth & Investment which now includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with Investec 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 8.7% (2019: 8.6%) which incorporates an expected revenue growth rate of 2% in perpetuity (2019: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that the key assumptions would need to increase to 18.7% for the discount rate or to reduce the present value of the future cash flows by 60% in order to cause an impairment to be recognised.

Movement in goodwill

The goodwill of £88.0 million relating to Investec Asset Management was written off as part of the demerger which took place in March 2020, refer to note 35. Goodwill of £6.9 million was written off as part of the sale of the Ireland Wealth businesses during the current year, refer to note 35. There were no significant movements in goodwill for the prior year.

34. Intangible assets

At 31 March £'000	Acquired software	Internally generated software	Management contracts*	Client relationships*	Total
2020					
Cost					
At the beginning of the year	26 838	–	592	187 704	215 134
Exchange adjustments	50	–	–	(146)	(96)
Additions	4 085	–	–	–	4 085
Disposals	(1 840)	–	–	–	(1 840)
Write off		–	(592)	–	(592)
At the end of the year	**29 133**	**–**	**–**	**187 558**	**216 691**
Accumulated amortisation and impairments					
At the beginning of the year	(19 715)	–	(592)	(109 805)	(130 112)
Exchange adjustments	(16)	–	–	(28)	(44)
Disposals	717	–	–	–	717
Amortisation	(2 975)	–	–	(12 915)	(15 890)
Write offs	–	–	592	–	592
At the end of the year	**(21 989)**	**–**	**–**	**(122 748)**	**(144 737)**
Net carrying value	**7 144**	**–**	**–**	**64 810**	**71 954**
2019					
Cost					
At the beginning of the year	44 715	3 101	605	187 763	236 184
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	**26 838**	**–**	**592**	**187 704**	**215 134**
Accumulated amortisation and impairments					
At the beginning of the year	(37 241)	(861)	(531)	(96 966)	(135 599)
Exchange adjustments	30	–	13	45	88
Disposals	19 793	–	–	–	19 793
Amortisation	(2 297)	(994)	(74)	(12 884)	(16 249)
Write off of internal software	–	1 855	–	–	1 855
At the end of the year	**(19 715)**	**–**	**(592)**	**(109 805)**	**(130 112)**
Net carrying value	**7 123**	**–**	**–**	**77 899**	**85 022**

* *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.

35. Acquisitions and disposals

There were no significant acquisitions of subsidiaries during the current and prior years.

During the current year, the group completed the sale of its Republic of Ireland Wealth & Investment business for proceeds of €44 million. The decision to dispose of the business was taken in light of changes in Investec's Irish business model, brought about by Brexit planning and the ongoing consolidation taking place in the wealth management industry in Ireland. The sale did not impact the group's other Irish businesses which have the necessary regulatory structure in place to continue to provide their existing range of specialist financial services. There were no significant disposals in the prior year.

Discontinued Operations

Asset Management business

On 13 March 2020, the Investec group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. This transaction was effected through the distribution of Ninety One shares to shareholders and generated a fair value distribution of £489 million.

Income statement of discontinued operations

£'000	Year to 31 March 2020	Year to 31 March 2019
Interest income	386	568
Interest expense	(2 620)	–
Net interest income	**(2 234)**	**568**
Fee and commission income	574 609	549 113
Fee and commission expense	(182 018)	(170 933)
Investment income	(2 042)	–
Trading income arising from		
– customer flow	–	–
– balance sheet management and other trading activities	1 634	5 120
Other operating income	4 697	3 773
Total operating income before expected credit loss impairment charges	**394 646**	**387 641**
Expected credit loss impairment charges	–	7
Operating income	**394 646**	**387 648**
Operating costs	(285 543)	(279 813)
Operating profit before acquired intangibles and strategic actions	**109 103**	**107 835**
Amortisation of acquired intangibles	–	–
Operating profit	**109 103**	**107 835**
Gain on distribution net of implementation costs	549 262	(6 191)
Profit before taxation	**658 365**	**101 644**
Taxation on operating profit before acquired intangibles and strategic actions	(19 112)	(18 796)
Taxation on acquired intangibles and strategic actions	1 253	161
Profit after taxation	**640 506**	**83 009**
Profit attributable to non-controlling interests of discontinued operations	(18 106)	(15 942)
Earnings attributable to shareholders	**622 400**	**67 067**

35. Acquisitions and disposals *(continued)*

Gain on loss of control of Ninety One	£'000
The gain is calculated as follows:	
Fair value of the distributions	489 477
Net asset value of Asset Management derecognised previously consolidated at 13 March 2020 (including Goodwill)	(181 004)
Non-controlling interest derecognised previously included in the consolidation of Asset Management at 13 March 2020	18 212
Foreign currency translation reserve recycled at 13 March 2020	315
Fair value of % maintained	245 229
Gain on the distribution of Ninety One shares (before tax)	**572 229**
Implementation costs	(22 967)
Gain on distribution of Ninety One shares (before tax)	**549 262**
Taxation on gain	1 253
Gain on distribution of Ninety One shares net of taxation and implementation costs	**550 515**
Major classes of assets and liabilities	
Loans and advances to banks	206 448
Other assets	445 089
Other liabilities	(470 533)
	181 004

36. Other trading liabilities

At 31 March £'000	2020	2019
Short positions		
– Equities	33 755	55 294
– Gilts	84 817	24 923
	118 572	**80 217**

37. Debt securities in issue

At 31 March £'000	2020	2019
Bonds and medium-term notes repayable:		
Less than three months	81 287	67 871
Three months to one year	35 471	129 046
One to five years	1 115 897	1 699 558
Greater than five years	235 215	558 076
	1 467 870	**2 454 551**

Reclassification of Deposits

Following a review of the contractual terms of certain Investec Structured Products, funds held within some Investment plans have been reclassified to Customer accounts (deposits) as at 31 March 2020 from Debt securities in issue. This reclassification is to better reflect the underlying characteristics of these plans and the liquidity of the products which is more aligned to Customer accounts (deposits). The balance of these plans was £823 million as at 31 March 2020. Management consider that this amount was not material to the users of the balance sheet in the prior year and so has not made the same reclassification in the prior year, if this change had been made at 31 March 2019 the impact would have been a movement of £825 million from Debt securities in issue to Customer accounts (deposits).

38. Other liabilities

At 31 March £'000	2020	2019
Settlement liabilities	813 820	565 990
Other creditors and accruals	260 102	492 252
Other non-interest-bearing liabilities	105 543	182 749
Lease liabilities*	478 558	–
Expected credit losses on off-balance sheet	3 613	1 918
	1 661 636	**1 242 909**

* *The group adopted IFRS 16 from 1 April 2019 and as a result recognised lease liabilities. The prior period comparatives have not been restated. Refer to implementation of IFRS 16 note 58.*

The maturity analysis of the lease liabilities is shown below

	2020	
At 31 March £'000	**Undiscounted lease payments**	**Present value**
Group		
Lease liabilities included in other liabilities		
Lease liabilities payable in:		
Less than one year	68 681	63 716
One to five years	250 195	223 402
Later than five years	224 573	191 440
	543 449	**478 558**

Reconciliation from opening balance to closing balance

At 31 March £'000	2020
Opening balance	–
Adoption of IFRS 16	584 301
Interest on lease liabilities	18 956
New leases	42 537
Disposals	(10 945)
Repayment of lease liabilities	(72 065)
Demerger of business	(97 793)
Exchange adjustments	13 567
Closing balance	**478 558**

39. Pension commitments

At 31 March £'000	2020	2019
Income statement charge		
Defined benefit obligations net income included in net interest income*	(2)	(68)
Defined benefit net costs included in administration costs*	49	134
Defined benefit contribution schemes included in staff costs	28 413	31 829
Net Income statement change in respect of pensions	**28 460**	**31 895**

* *Net amounts recognised in the income statement arising from the defined benefit scheme have been reclassified to discontinued operations (see note 35).*

During the year, the group completed the demerger transaction to incorporate Ninety One (previously Investec Asset Management) as an independent company (see note 35). As a result of this, the net assets of the Ninety One UK pension scheme (the scheme: previously the Investec Asset Management Pension scheme) were derecognised from the consolidated group balance sheet. Investec plc has no ongoing involvement with the scheme and has no liabilities or obligations in respect of the scheme at 31 March 2020.

The most recent valuation of the scheme whilst it was accounted for within the group was performed at 30 September 2019 by qualified independent actuaries in accordance with IAS 19. Historical details of the assumptions and risk exposures which related to the scheme are provided below for comparative purposes only and are not applicable at 31 March 2020.

	At 30 September 2019	At 31 March 2019
The major assumptions used were:		
Discount rate	1.80%	2.40%
Rate of increase in salaries	3.10%	3.20%
Rate of increase in pensions in payment	2.00% - 3.05%	2.00% - 3.20%
Inflation (RPI)	3.10%	3.30%
Inflation (CPI)	2.10%	2.20%
Demographic assumptions		
One of the most significant demographic assumptions underlying the valuation of the scheme in the previous year was mortality. The specific mortality rates used at 30 September 2019 and 31 March 2019 are based on the 2017 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 valuations were as follows		
	Years	**Years**
Male aged 65	88.4	88.4
Female aged 65	88.7	88.7
Male aged 45	89.2	89.2
Female aged 45	90.5	90.5

Sensitivity analysis of assumptions at 30 September 2019

As noted above, following the demerger, the group no longer has any exposure to the scheme. The following sensitivities applied to the valuation that was carried out at 30 September 2019:

- If the discount rate was 0.5% lower, the scheme liabilities would have increased by approximately £1 829 000 if all the other assumptions remained unchanged
- If life expectancies were to increase by 1 year, the scheme liabilities would have increased by approximately £773 000 if all the other assumptions remained unchanged.

The sensitivity analysis presented above may not have been representative of the actual change in the defined benefit obligation as it was unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may have been correlated.

The sensitivity analysis was 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.

39. Pension commitments *(continued)*

Risk exposures

A description of the risks to which the pension schemes expose Investec group can be found in the risk management report on page 103.

Following the demerger, the group no longer underwrites the risks relating to any defined benefit pension plan.

At 31 March £'000	**2020**	2019
Managed funds	–	17 605
Cash	–	185
Total market value of assets	**–**	**17 790**

In the prior year there were no assets in the scheme which were 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.

At 31 March £'000	**2020**	2019
Recognised in the balance sheet		
Fair value of plan assets	–	17 790
Present value of obligations	–	(17 610)
Net asset (recognised other assets)	**–**	**180**
Recognised in the income statement		
Net interest income*	2	68
Administration costs*	(49)	(134)
Net amount recognised in the income statement	**(47)**	**(66)**
** Net amounts recognised in the income statement arising from the scheme have been reclassified to discontinued operations (see note 35)*		
Recognised in the statement of comprehensive income		
Return on plan assets (excluding amounts in net interest income)	245	(823)
Actuarial gain arising from changes in financial assumptions	(1 711)	(1 558)
Remeasurement of defined benefit asset	(1 466)	(2 381)
Deferred tax	249	457
Remeasurement of net defined benefit asset	**(1 217)**	**(1 924)**

39. Pension commitments *(continued)*

At 31 March £'000	Total
Changes in the net asset/(liabilities) recognised in the balance sheet	
Opening balance sheet asset at 1 April 2018	**2 627**
Expenses charged to the income statement	(66)
Amount recognised in other comprehensive income	(2 381)
Opening balance sheet asset at 1 April 2019	**180**
Expenses charged to the income statement	(47)
Amount recognised in other comprehensive income	(1 466)
Derecognition of net assets as a result of demerger	1 333
Closing balance sheet asset at 31 March 2020	**–**

At 31 March £'000	Total
Changes in the present value of defined benefit obligations	
Opening defined benefit obligation at 1 April 2018	**16 107**
Interest expense	419
Remeasurement gains and losses:	
– Actuarial gain arising from changes in financial assumptions	1 558
Benefits and expenses paid	(474)
Closing defined benefit obligation at 1 April 2019	**17 610**
Interest expense	209
Remeasurement gains and losses:	
– Actuarial gain arising from changes in financial assumptions	1 711
Benefits and expenses paid	(201)
Derecognition of defined benefit obligation as a result of demerger	(19 329)
Closing defined benefit obligation at 31 March 2020	**–**
Changes in the fair value of plan assets	
Opening fair value of plan assets at 1 April 2018	**18 733**
Interest income	487
Remeasurement gain and losses:	
– Return on plan assets (excluding amounts in net interest income)	(823)
Administration expenses	(607)
Opening fair value of plan assets at 1 April 2019	**17 790**
Interest income	211
Remeasurement gains and losses:	
– Return on plan assets (excluding amounts in net interest income)	245
Administration expenses	(249)
Derecognition of plan assets as a result of demerger	(17 997)
Closing fair value of plan assets at 31 March 2020	**–**

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. This includes average duration of deferred pensioners of 21.5 years and average duration of pensioners in payment of 13.3 years.

40. Subordinated liabilities

At 31 March £'000	2020	2019
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes fair-value	343 232	367 707
Subordinated fixed rate re-set callable medium-term notes amortised cost	443 798	435 992
	787 030	**803 699**
Remaining maturity:		
In one year or less, or on demand*	–	–
In more than one year, but not more than two years	343 232	–
In more than two years, but not more than five years	–	367 707
In more than five years	443 798	435 992
	787 030	**803 699**
Reconciliation from opening balance to closing balance		
At the beginning of the year	**803 699**	**579 673**
Adoption of IFRS 9	–	136 891
As at 1 April	**803 699**	**716 564**
Subordinated debt raised	–	417 939
Repayment of subordinated debt	–	(335 541)
Fair value movement	(24 556)	(23 190)
Effective interest rate adjustment/hedge accounting	7 887	29 927
At the end of the year	**787 030**	**803 699**

* *Where notes are undated the maturity has been taken as the first potential call date.*

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

Subordinated fixed rate medium term notes (denominated in Pounds Sterling)

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

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

On 1 April 2018 the group adopted IFRS 9 "Financial instruments" which replaced IFRS 39 "Financial instruments: recognition and measurement". The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 564 000 against its amortised cost value £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.

41. Ordinary share capital

At 31 March £'000	2020	2019
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	682 121 211	669 838 695
Issued during the year	13 961 407	12 282 516
At the end of the year	**696 082 618**	**682 121 211**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	136	134
Issued during the year	2	2
At the end of the year	**138**	**136**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	318 904 709	310 722 744
Issued during the year	–	8 181 965
At the end of the year	**318 904 709**	**318 904 709**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	64	61
Issued during the year	–	3
At the end of the year	**64**	**64**
Number of UK DAN shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of UK DAS shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of UK DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of special voting shares	**Number**	**Number**
At the beginning and end of the year	**1**	**1**
Nominal value of special voting share	**£'000**	**£'000**
At the beginning and end of the year	*	*

* *Less than £1 000.*

41. Ordinary share capital *(continued)*

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 8.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

At 31 March £'000	**Number 2020**	Number 2019
Opening balance	22 239 595	22 465 788
Demerger of Investec Asset Management Limited	(1 106 749)	–
Issued during the year	7 630 226	7 878 437
Exercised	(5 832 860)	(7 386 412)
Lapsed	(2 187 934)	(718 218)
Closing balance	**20 742 278**	**22 239 595**

The purpose of the Staff Share scheme 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.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time, depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group's share price.

At present, the practice of the group is to grant all permanent staff members a share allocation, based on their annual package, after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from three to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.

42. Perpetual preference shares of holding company

At 31 March £'000	2020	2019
Perpetual preference share capital	29	29
Perpetual preference share premium (refer to note 43)	24 765	24 765
	24 794	**24 794**
Issued by Investec plc		
2 754 587 (2019: 2 754 587) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Perpetual preference share capital	29	29
– Perpetual preference share premium	23 607	23 607
Perpetual preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the perpetual preference dividend has been declared.		
If declared perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc – Rand-denominated		
131 447 (2019: 131 447) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at an average premium of ZAR99.999 per share.		
– Perpetual preference share capital	*	*
– Perpetual preference share premium	1 158	1 158
Rand-denominated perpetual preference shareholders will receive a dividend if declared based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand perpetual preference dividend has been declared.		
If declared perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		

43. Share premium

At 31 March £'000	2020	2019
Share premium account – Investec plc^	806 812	1 357 967
Perpetual preference share premium	24 765	24 765
	831 577	**1 382 732**

^ *The reduction of share premium in the current year was primarily due to the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. Please see note 35 for further details.*

44. Treasury shares

At 31 March £'000	2020	2019
Treasury shares held by subsidiaries of Investec plc	140 559	113 651
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	31 744 014	21 638 673
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	21 638 673	19 722 086
Purchase of own shares by subsidiary companies	17 422 083	10 241 079
Shares disposed of by subsidiaries	(7 316 742)	(8 324 492)
At the end of the year	**31 744 014**	**21 638 673**
Market value of treasury shares	**£'000**	**£'000**
Investec plc	48 219	95 708
	48 219	**95 708**

45. Other Additional Tier 1 securities in issue

At 31 March £'000	2020	2019
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**

On 5 October 2017, the Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1 securities') at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment day, the company 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 the investors will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec plc group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of the company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

46. Non-controlling interests

At 31 March £'000	2020	2019
Non-controlling interests in partially held subsidiaries	3 369	13 087
	3 369	**13 087**

At 31 March £'000	Investec Asset Management 2020	 2019
The following table summarises the information relating to the group's subsidiary that has material non-controlling interests.		
Non-controlling interests (NCI) (%)	–	20
Summarised financial information	**£'000**	**£'000**
Total assets	–	448 128
Total liabilities	–	332 024
Revenue	394 646	387 641
Profit after taxation	84 649	88 344
Carrying amount of NCI	–	21 013
Dividends paid to non-controlling interest	20 907	14 110
Profit allocated to NCI	18 106	15 942

During the year, the Investec group successfully completed the demerger of Ninety One (formally known as Investec Asset Management), which became separately listed on 16 March 2020. Further details are given in note 35. In addition, the group has restructured and disposed of one entity with a non-controlling interest and a new non-controlling interest has arisen in another subsidiary where the business plan is to gain additional external investors and ultimately deconsolidate the entity.

The net cash flows arising during the current and prior period relate to operating activities. Other than payments of dividends there are no material cash flows arising from financing or investing activities.

47. Finance lease disclosures

At 31 March £'000	2020 Total future minimum payments	2020 Present value	2019 Total future minimum payments	2019 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	253 900	207 279	238 795	194 802
One to five years	440 342	389 582	415 228	367 123
Later than five years	5 015	4 684	4 935	4 640
	699 257	**601 545**	**658 958**	**566 565**
Unearned finance income	**(97 712)**		**(92 413)**	
Net investment in the lease	**601 545**		**566 545**	

At 31 March 2019, unguaranteed residual values accruing to the benefit of Investec plc were £10.7 million (2019: £6.6 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2020 Total future minimum payments	2020 Present value
Finance lease receivables included in other assets		
Lease receivables due in:		
Less than one year	51 739	49 265
One to five years	182 472	162 389
Later than five years	149 367	110 557
	383 578	**322 211**
Unearned finance income	**(61 367)**	
Net investment in the lease	**322 211**	

The group adopted IFRS 16 from 1 April 2019. The group has a head lease and sublease arrangement with external partners and has recognised finance lease receivables of £330 million and corresponding lease liabilities of £325 million. The prior period comparatives have not been restated. Refer to implementation of IFRS 16 note 58.

48. Notes to cash flow statement

At 31 March £'000	2020	2019
Profit before taxation adjusted for non-cash items is derived as follows:		
Profit before taxation from continuing and discontinued operations	660 718	234 765
Adjustment for non-cash items included in net income before taxation:		
Amortisation of intangible assets	12 915	12 958
Net gain on disposal of subsidiaries	(569 003)	–
Depreciation of operating lease assets	1 407	2 137
Depreciation and impairment of property, equipment and intangibles	43 556	22 062
Expected credit loss impairment charges	75 800	24 553
Share of post-taxation profit of associates and joint venture holdings	(5 382)	(3 100)
Dividends received from associates and joint venture holdings	3 124	772
Share-based payment and employee benefit liability adjustments	7 653	30 164
Profit before taxation adjusted for non-cash items	**230 788**	**324 311**
(Increase)/decrease in operating assets		
Loans and advances to banks	(374 807)	(214 358)
Reverse repurchase agreements and cash collateral on securities borrowed	(994 046)	117 223
Sovereign debt securities	(389 781)	(141 324)
Bank debt securities	1 027	61 015
Other debt securities	(188 062)	(221 077)
Derivative financial instruments	(625 585)	(33 638)
Securities arising from trading activities	215 531	(96 496)
Investment portfolio	138 906	(15 888)
Loans and advances to customers	(1 429 765)	(991 688)
Other loans and advances	15 928	153 863
Securitised assets	11 925	14 029
Other assets	(353 440)	139 042
Goodwill	–	44
Investment properties	14 500	–
	(3 957 669)	**(1 229 253)**
Increase/(decrease) in operating liabilities		
Deposits by banks	116 527	22 641
Derivative financial instruments	537 641	174 373
Other trading liabilities	38 355	(23 279)
Repurchase agreements and cash collateral on securities lent	82 476	145 695
Customer accounts (deposits)	2 129 478	1 513 327
Debt securities in issue	(986 681)	113 417
Securitised liabilities	(3 032)	(14 142)
Other liabilities	276 216	32 494
	2 190 980	**1 964 526**

49. Commitments

At 31 March £'000	2020	2019
Undrawn facilities	1 318 079	1 484 240
Other commitments	101 016	30 588
	1 419 095	**1 514 828**
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	n/a	64 561
One to five years	n/a	288 036
Later than five years	n/a	222 438
	n/a	**575 035**
Operating lease receivables		
Future minimum lease payments under non-cancellable operating leases:		
Less than one year	n/a	44 173
One to five years	n/a	220 852
Later than five years	n/a	58 155
	n/a	**323 180**

* *Expected credit losses on off-balance sheet positions of £4 million in the current year are reported with other liabilities.*

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases; this resulted in the group recognising a lease liability and a right of use (ROU) asset instead of operating lease commitments and receivables. The prior year figures have been included for the sake of reference.

	Carrying amount of pledged assets		**Related liability**	
At 31 March £'000	**2020**	2019	**2020**	2019
Pledged assets				
Loans and advances to customers	306 768	268 099	251 202	251 289
Other loans and advances	29 513	101 643	26 566	95 426
Loans and advances to banks	471 040	53 693	423 970	55 596
Sovereign debt securities	475 538	456 004	417 348	377 056
Other debt securities	287 738	87 995	235 620	82 477
Securities arising from trading activities	158 101	585 906	143 971	464 748
	1 728 698	**1 553 340**	**1 498 677**	**1 326 592**

The assets pledged by the group 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.

50. Contingent liabilities

At 31 March £'000	2020	2019
Guarantees and assets pledged as collateral security:		
– Guarantees and irrevocable letters of credit	347 177	498 505
	347 177	**498 505**

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 plc and its subsidiaries 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 to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amount or timing of amount 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. The group has not disclosed whether it has established a provision or contingent liability with respect to this matter because it has concluded that such disclosure can be expected to seriously prejudice its outcome.

51. Related party transactions

At 31 March £'000	2020	2019
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, have been included in the section marked as audited in the remuneration report in the Investec group's 2020 integrated annual report.		
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:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	28 180	37 327
Increase in loans	5 255	2 560
Decrease in loans*	(24 535)	(11 860)
Exchange adjustments	(1 135)	153
At the end of the year	**7 765**	**28 180**
Guarantees		
At the beginning of the year	13 360	402
Additional guarantees granted	918	13 367
Decrease in guarantees*	(13 686)	(6)
Exchange adjustments	–	(403)
At the end of the year	**592**	**13 360**
Deposits		
At the beginning of the year	(36 037)	(28 604)
Increase in deposits	(2 068)	(10 297)
Decrease in deposits*	26 116	2 786
Exchange adjustments	1	78
At the end of the year	**(11 988)**	**(36 037)**

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 have been impaired.

* *Decrease includes changes in leadership during the current year.*

51. Related party transactions *(continued)*

At 31 March £'000	Investec Limited and subsidiaries 2020	2019
Transactions with other related parties		
Assets		
Loans and advances to banks	9 194	18 213
Derivative financial instruments	3 616	3 153
Other assets	24 408	13 956
Liabilities		
Deposits by banks	35 148	2 723
Derivative financial instruments	10 788	21 532
Customer accounts	8 058	14 286
Debt securities in issue	75 271	36 949
Repurchase agreements and cash collateral on securities lent	21 423	19 660
Other liabilities	42 217	22 267

During the year to 31 March 2020, interest of £3.0 million (2019: £2.8 million) was paid to entities in the Investec Limited group. Interest of £360 000 (2019: £496 000) was received from Investec Limited group.

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2020, this resulted in a net payment to Investec Limited Group of £17.2 million (2019: £38.3 million).

During the year to 31 March 2020, Investec Wealth & Investment Limited paid a net amount of £15 500 for research services provided by Grovepoint (UK) Limited (2019: received a net £1 600 for research services provided to Grovepoint (UK) Limited).

Bradley Fried is a former non-executive director of Investec Wealth & Investment Limited, a former director of Investec Bank plc and Investec plc, and is a current director of Grovepoint (UK) Limited.

The group has an investment in Grovepoint (UK) Limited in which a previous Investec director has significant influence. The group has made an investment of £47.8 million (2019: £44.3 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available, on similar transactions to non-related entities on an arm's length basis.

There are no amounts due from associates and joint venture holdings in the current or prior year.

52. 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 classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of 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**
2020						
Assets	Interest rate swap	(52 184)	(48 139)	(35 149)	48 140	35 276
Liabilities	Interest rate swap	831	831	(71)	(913)	(38)
		(51 353)	**(47 308)**	**(35 220)**	**47 227**	**35 238**
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**

* *Change in fair value used as the basis for recognising hedge effectiveness for the period.*

Included within balance sheet management and other trading activities in the Income Statement is a £185k gain (2019: £1.1 million) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

Hedged items

	Carrying amount of the hedged item	
At 31 March £'000	**2020**	2019
Assets		
Sovereign debt securities	42 066	39 324
Other debt securities	12 319	5 129
Loans and advances to customers	1 352 046	1 916 298
Other assets	185 206	–
Liabilities		
Customer accounts (deposits)	141 886	411 019

52. Hedges *(continued)*

Maturity analysis of hedged item

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
2020							
Assets – notionals							
Sovereign debt securities	–	–	–	–	40 171	–	**40 171**
Other debt securities	–	–	–	–	12 692	(417)	**12 275**
Loans and advances to customers	–	106	880	2 287	1 191 322	131 774	**1 326 369**
Other assets	1 629	4 841	7 315	14 851	131 037	25 533	**185 206**
Liabilities – notionals							
Customer accounts (deposits)	33 300	12 775	3 235	29 300	58 888	3 711	**141 209**
2019							
Assets – notionals							
Sovereign debt securities	–	–	–	–	38 378	–	38 378
Other debt securities	–	–	–	–	–	5 087	5 087
Loans and advances to customers	–	3 021	315	9 497	1 721 928	183 744	1 918 505
Liabilities – notionals							
Customer accounts (deposits)	2 171	2 385	100 926	130 175	169 398	3 661	408 716

Hedges of net investments in foreign operations

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	2020	2019
Hedging instrument positive fair value	(191)	–
Hedging instrument negative fair value	20	533

There was no ineffective portion recognised in the income statement for the current or prior year.

53. 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
2020								
Liabilities								
Deposits by banks	99 791	4 986	2 066	4 134	82 168	1257 064	599	1 450 808
Derivative financial instruments	373 627	108 519	207 783	135 782	153 791	249 239	66 988	1 295 729
Derivative financial instruments – held for trading	136 166	–	–	–	–	–	–	136 166
Derivative financial instruments – held for hedging risk	237 461	108 519	207 783	135 782	153 791	249 239	66 988	1 159 563
Other trading liabilities	118 572	–	–	–	–	–	–	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	–	52 844	–	396 811
Customer accounts (deposits)	4 846 855	800 965	2 356 638	3 355 895	1 356 220	2 255 242	385 604	15 357 419
Debt securities in issue	75 271	(4 145)	28 083	13 340	57 119	1 195 340	235 222	1 600 230
Liabilities arising on securitisation of other assets	–	–	3 305	3 197	6 120	40 159	77 075	129 856
Other liabilities	114 390	906 554	90 456	43 336	66 448	257 315	235 736	1 714 235
Subordinated liabilities	–	–	–	17 850	29 641	409 003	491 400	947 894
Total on balance sheet liabilities	**5 675 830**	**1 838 558**	**2 953 294**	**3 583 535**	**1 751 507**	**5 716 206**	**1 492 624**	**23 011 554**
Contingent liabilities	4 728	1 543	28 995	32 371	30 564	182 225	66 748	347 174
Commitments	233 553	9 315	13 677	94 663	113 302	818 994	276 063	1 559 567
Total liabilities	**5 914 111**	**1 849 416**	**2 995 966**	**3 710 569**	**1 895 373**	**6 717 425**	**1 835 435**	**24 918 295**

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 93 and 94.

53. Liquidity and 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**
2019								
Liabilities								
Deposits by banks	161 264	1 802	5 540	7 101	357 580	833 818	16 461	1 383 566
Derivative financial instruments	239 255	2 305	79 951	63 738	96 270	191 531	36 011	709 061
Derivative financial instruments – held for trading	86 212	–	–	–	–	–	–	86 212
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)	4 019 479	1 224 485	2 320 362	2 174 276	1 608 825	1 779 543	118 806	13 245 776
Debt securities in issue	36 949	87 301	75 359	128 962	321 775	1 689 752	260 124	2 600 222
Liabilities arising on securitisation of other assets	–	–	2 951	2 767	5 345	44 422	84 315	139 800
Other liabilities	137 973	611 912	286 925	52 725	20 103	102 835	31 433	1 243 906
Subordinated liabilities	–	–	29 641	–	17 850	468 286	509 250	1 025 027
Total on balance sheet liabilities	**4 808 110**	**1 927 805**	**2 982 091**	**2 429 569**	**2 427 748**	**5 110 187**	**1 056 400**	**20 741 910**
Contingent liabilities	5 601	3 282	3 326	111 182	23 683	305 835	44 155	497 064
Commitments	131 847	113 996	31 169	39 690	142 088	815 987	240 051	1 514 828
Total liabilities	**4 945 558**	**2 045 083**	**3 016 586**	**2 580 441**	**2 593 519**	**6 232 009**	**1 340 606**	**22 753 802**

54. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

At 31 March	Principal activity	Country of incorporation	Interest 2020	Interest 2019
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Investec Holding Company Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100%	100%
Investec Asset Management Limited*	Asset management	England and Wales	n/a	80%
Investec Bank plc	Banking institution	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100%	100%
Investec Capital Asia Limited	Investment banking	Hong Kong	100%	100%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100%	100%
Investec Finance Limited	Debt issuer	England and Wales	100%	100%
Investec Group (UK) Limited	Holding company	England and Wales	100%	100%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Holdings (Australia) Limited	Holding company	Australia	100%	100%
Investec Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Europe Limited	MifiD Firm	Ireland	100%	100%
Investec Securities (US) LLC	Financial services	USA	100%	100%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100%	100%
Reichmans Geneva SA	Trading company	Switzerland	100%	100%
Rensburg Sheppards plc	Holding company	England and Wales	100%	100%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 28.

* *On 13 March 2020, the Investec group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. Please see note 35 for further details.*

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note i to the Investec plc company accounts on pages 281 to 285.

54. Principal subsidiaries, associated companies and joint venture holdings – Investec plc *(continued)*

Consolidated structured entities

Investec 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.

For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 85.

54. Principal subsidiaries, associated companies and joint venture holdings – Investec 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 portfolios 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 maximiser 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 £98.7 million (2019: £93.7 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries. These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank plc, 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 105 and 106.

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 19 and 57.

54. Principal subsidiaries, associated companies and joint venture holdings – Investec 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	Investment 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 2020 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss**	**Income earned from structured entity**	**£'000**
Aircraft investment funds	Investment portfolio	4 721	Limited to the carrying value	Investment loss	(33)

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

55. Unconsolidated structured entities

At 31 March 2020

The table below describes the types of structured entities that the group does not consolidate but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 184 to 194.

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 through providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

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.

31 March 2020 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss of the group**	**Total assets of the entity £'000**	**Income earned from structured entity**	**£'000**
Investment funds	Investment portfolio	140	Limited to the carrying value	4 585	Investment Income	–
Residential mortgage securitisations	Other debt securities	418	Limited to the carrying value	69 389	Net interest expenses	(1)
					Investment loss	(13)
	Other loans and advances	1 224	Limited to the carrying value	2 887	Net interest expenses	(32)

31 March 2019 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	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 expenses	(16)
					Investment income	204
	Other loans and advances	7 437	Limited to the carrying value	129 200	Net interest expenses	(215)

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.

55. 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

	2020	2019
	Structured CDO and CLO securitisations^	Structured CDO and CLO securitisations^
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 returns do 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 returns do 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, e.g. 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 85.

56. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2020						
Assets						
Cash and balances at central banks	2 277 318	–	2 277 318	–	–	2 277 318
Loans and advances to banks	1 794 165	–	1 794 165	–	(520 121)	1 274 044
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	–	1 627 246	(112 630)	(2 866)	1 511 750
Sovereign debt securities	1 688 670	–	1 688 670	(345 762)	–	1 342 908
Bank debt securities	51 238	–	51 238	–	–	51 238
Other debt securities	685 936	–	685 936	–	–	685 936
Derivative financial instruments	1 251 135	–	1 251 135	(361 561)	(92 796)	796 778
Securities arising from trading activities	582 693	–	582 693	(156 113)	–	426 580
Investment portfolio	635 297	–	635 297	–	(1 849)	633 448
Loans and advances to customers	11 871 849	–	11 871 849	–	–	11 871 849
Other loans and advances	191 930	–	191 930	–	(29 513)	162 417
Other securitised assets	106 218	–	106 218	–	–	106 218
Other assets	1 425 868	–	1 425 868	–	–	1 425 868
	24 189 563	**–**	**24 189 563**	**(976 066)**	**(647 145)**	**22 566 352**
Liabilities						
Deposits by banks	1 419 298	–	1 419 298	–	(97 479)	1 321 819
Derivative financial instruments	1 245 333	–	1 245 333	(599 022)	(452 485)	193 826
Other trading liabilities	118 572	–	118 572	(112 630)	–	5 942
Reverse repurchase agreements and cash collateral on securities lent	396 811	–	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	15 280 302	–	15 280 302	–	(60 581)	15 219 721
Debt securities in issue	1 467 870	–	1 467 870	(216 831)	(3 084)	1 247 955
Liabilities arising on securitisation of other assets	110 679	–	110 679	–	–	110 679
Other liabilities	1 661 636	–	1 661 636	–	(1 849)	1 659 787
Subordinated liabilities	787 030	–	787 030	–	–	787 030
	22 487 531	**–**	**22 487 531**	**(976 066)**	**(647 145)**	**20 864 320**

56. 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**
2019						
Assets						
Cash and balances at central banks	4 445 431	–	4 445 431	–	–	4 445 431
Loans and advances to banks	1 164 051	–	1 164 051	–	(133 458)	1 030 593
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	498 265	–	498 265	–	–	498 265
Derivative financial instruments	625 550	–	625 550	(268 182)	(90 734)	266 634
Securities arising from trading activities	798 224	–	798 224	(579 642)	–	218 582
Investment portfolio	493 268	–	493 268	–	–	493 268
Loans and advances to customers	10 515 665	–	10 515 665	–	–	10 515 665
Other loans and advances	207 863	–	207 863	–	(328)	207 535
Other securitised assets	118 143	–	118 143	–	–	118 143
Other assets	1 028 611	–	1 028 611	–	–	1 028 611
	21 879 485	**–**	**21 879 485**	**(998 975)**	**(225 607)**	**20 654 903**
Liabilities						
Deposits by banks	1 330 843	–	1 330 843	–	(120 365)	1 210 478
Derivative financial instruments	707 692	–	707 692	(422 583)	(76 590)	208 519
Other trading liabilities	80 217	–	80 217	(77 985)	–	2 232
Reverse repurchase agreements and cash collateral on securities lent	314 335	–	314 335	(134 848)	(5 447)	174 040
Customer accounts (deposits)	13 150 824	–	13 150 824	–	(35 804)	13 115 020
Debt securities in issue	2 454 551	–	2 454 551	(363 559)	(5 337)	2 085 655
Liabilities arising on securitisation of other assets	113 711	–	113 711	–	–	113 711
Other liabilities	1 242 909	–	1 242 909	–	–	1 242 909
Subordinated liabilities	803 699	–	803 699	–	–	803 699
	20 198 781	**–**	**20 198 781**	**(998 975)**	**(243 543)**	**18 956 263**

57. Derecognition

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.

	2020		2019	
No derecognition achieved At 31 March £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	670 902	–	680 860	–
Loans and advances to bank	81 000	–	65 815	–
	751 902	**–**	**746 675**	**–**

The transferred assets above in both the current and prior year are held within structured entities which are wholly-owned and consolidated by the group. There are no external parties participating in 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.

58. Implementation of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and will result in bringing them on balance sheet. Operating lease commitments as at 31 March 2019 amounted to £575 million. Lease liabilities amounting to £584 million, primarily in respect of leased properties, previously accounted for as operating leases, were recognised at 1 April 2019. The lease liabilities were adjusted to exclude short-term leases of £165k. Excluding the effect of discounting, the difference between the commitments previously reported and the opening lease liabilities principally arises due to the accounting treatment of options which are available to exercise at the end of certain lease contracts which leads to a higher balance under IFRS 16 than was part of the commitment under IAS 17.

As a lessee, the group now recognises 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. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made. The ROU asset is being amortised to the income statement over the life of the lease.

As permitted by the standard the group applied IFRS 16 on a modified retrospective basis without restating prior years.

The group elected to take advantage of the following transition options on transition at 1 April 2019:

- Applied IFRS 16 to contracts previously identified as leases by IAS 17
- Calculated the ROU asset equal to the lease liability, adjusted for prepaid or accrued payments
- Used the incremental borrowing rate as the discount rate
- Not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months
- Relied 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 created on 1 April 2019. Where this is the case the carrying amount of the assets has been adjusted by the onerous lease provision.

The impact on adoption was the recognition of ROU assets of £223 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £584 million, with no impact on retained income.

The accounting policies related to finance leases as at 31 March 2019 under IAS 17 Leases are noted below.

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.

59. Restatements

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long-term.

In this regard the following strategic actions have been effected:

- Demerger of the Asset Management business
- Closure of Click & Invest which formed part of the UK wealth management business
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch
- Closure and rundown of the Hong Kong direct investments business.

We have elected to separately disclose the financial impact of these strategic actions as the "financial impact from group restructures" and the "closure and rundown of the Hong Kong direct investments business" where operations have ceased. Due to the significant change in the nature of the entity's operations, we consider it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement.

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Other Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before acquired intangibles and strategic actions whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the year to 31 March 2019 by £3.2 million.

The effective date of the Asset Management business demerger was 13 March 2020 and admission of the Ninety One Limited shares and the Ninety One plc shares to the Johannesburg Stock Exchange and London Stock Exchange was effected on 16 March 2020. The global Asset Management business has been disclosed as a discontinued operation and the income statement for the prior period has been appropriately re-presented. Refer to note 35 for discontinued operations.

59. Restatements *(continued)*

These reclassifications in the income statement for the prior reported periods and the consequential restated comparatives have been shown below.

The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement.

£'000	Year to 31 March 2019 as previously reported	Re-presentation as a discontinued operation	Re-classification	**Year to 31 March 2019 restated**
Interest income	728 003	(568)	(4 421)	723 014
Interest expense	(348 514)	–	11 326	(337 188)
Net interest income	**379 489**	**(568)**	**6 905**	**385 826**
Fee and commission income	1 072 767	(549 113)	(23 152)	500 502
Fee and commission expense	(183 536)	170 933	(841)	(13 444)
Investment income	32 674	–	57 859	90 533
Share of post-taxation profit of associates and joint venture holdings	3 100	–	(150)	2 950
Trading income arising from:				
– customer flow	86 766	–	–	86 766
– balance sheet management and other trading activities	17 924	(5 120)	(79)	12 725
Other operating income	14 249	(3 773)	–	10 476
Total operating income before expected credit loss impairment charges	**1 423 433**	**(387 641)**	**40 542**	**1 076 334**
Expected credit loss impairment charges	(24 553)	(7)	4	(24 556)
Operating income	**1 398 880**	**(387 648)**	**40 546**	**1 051 778**
Operating costs	(1 129 976)	279 813	26 789	(823 374)
Depreciation on operating leased assets	(2 137)	–	–	(2 137)
Operating profit before acquired intangibles and strategic actions	**266 767**	**(107 835)**	**67 335**	**226 267**
Amortisation of acquired intangibles	(12 958)	–	–	(12 958)
Closure and rundown of the Hong Kong direct investments business	–	–	(65 593)	(65 593)
Operating profit	**253 809**	**(107 835)**	**1 742**	**147 716**
Financial impact of group restructures	(19 044)	6 191	(1 742)	(14 595)
Profit before taxation from continuing operations	**234 765**	**(101 644)**	**–**	**133 121**
Taxation on operating profit before acquired intangibles and strategic actions	(39 102)	18 796	(9 570)	(29 876)
Taxation on acquired intangibles and strategic actions	4 983	(161)	12 777	17 599
Profit after taxation from continuing operations	**200 646**	**(83 009)**	**3 207**	**120 844**
Profit after taxation from discontinued operations	**–**	**83 009**	**–**	**83 009**
Profit after taxation	**200 646**	**–**	**3 207**	**203 853**
Profit attributable to non-controlling interests of discontinued operations	(15 942)	–	–	(15 942)
Loss attributable to other non-controlling interests	4 479	–	–	4 479
Earnings attributable to shareholders	**189 183**	**–**	**3 207**	**192 390**

59. Restatements *(continued)*

Financial impact of strategic actions

£'000	Notes	Year to 31 March 2020	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*		(89 257)	(65 593)
Financial impact of group restructures		(25 725)	(14 595)
Closure of Click & Invest		(4 309)	(14 265)
Sale of the Irish Wealth & Investment business		19 741	–
Restructure of the Irish branch		(41 110)	(330)
Other		(47)	–
Financial impact of strategic actions – continuing operations		**(114 982)**	**(80 188)**
Taxation on financial impact of strategic actions from continuing operations		19 856	15 219
Net financial impact of strategic actions – continuing operations		**(95 126)**	**(64 969)**
Gain on distribution of Ninety One group shares net of taxation and implementation costs	35	550 515	(6 030)
Net financial impact of strategic actions – Total group		**455 389**	**(70 999)**

* *Included within the balance are fair value adjustments of £83.2 million (31 March 2019: £57.8 million).*

60. Events after the reporting period

The significant judgements and estimates applied to prepare the financial statements as at 31 March 2020 reflected the impact of COVID-19 and the resulting lockdown as at the balance sheet date.

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

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

Subsequent to the balance sheet date, extensions to lockdown periods have been announced and there has been further deterioration in certain macro-economic forecasts. In the UK previously launched schemes have been extended in an attempt to mitigate the economic impact of COVID-19.

Some of the markets in which the group operates, in particular the UK, are showing signs of recovery with fewer new COVID-19 cases being reported, lockdown rules beginning to ease and economic activity starting to increase slightly. The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 17 June 2020, did not identify additional information that requires these judgements and estimates to be updated. The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations. Management performed a detailed assessment of events after the reporting period and any consequent potential impact on the annual financial statements and concluded that the financial statement disclosure was appropriate. This process included a review of changes in underlying credit risk of loans and advances, evaluating changes in assumptions of fair value calculations, evaluating significant movements on the share price of listed investments and evaluating the level of financial assistance provided to clients compared to the balance sheet date.

Subsequent to the balance sheet date, a settlement has been reached with HMRC in relation to a tax enquiry and the matter resolved. This has been reflected as an adjusting post balance sheet event and the provision has been reduced to the settlement amount.

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

Balance sheet

At 31 March £'000	Notes	2020	2019
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 701 774	1 551 774
Securities issued by subsidiary undertaking	c	250 000	250 000
		1 951 774	**1 801 774**
Current assets			
Investments in listed equities^		259 058	–
Amounts owed by group undertakings		511 543	502 593
Taxation		10 891	10 874
Deferred tax assets		942	–
Prepayments and accrued income		4 414	638
Cash at bank and in hand			
– with subsidiary undertakings		163 521	286 900
– balances with other banks		471	552
		950 840	**801 557**
Current liabilities **Creditors: amounts falling due within one year**			
Amounts owed to group undertakings		6 244	6 244
Other liabilities		5 268	1 082
Accruals and deferred income		12 952	13 059
Net current assets		**926 376**	**781 172**
Creditors: amounts falling due after one year			
Debt securities in issue	d	419 112	413 985
Net assets		**2 459 038**	**2 168 961**
Capital and reserves			
Called up share capital	g	202	200
Perpetual preference shares	g	29	29
Share premium account	g	831 577	1 382 732
Capital reserve	g	180 606	180 606
Other Additional Tier 1 securities in issue	g	250 000	250 000
Fair value reserve		37 515	–
Retained earnings	g	1 159 109	355 394
Total capital and reserves		**2 459 038**	**2 168 961**

The notes on pages 279 and 285 form an integral part of the financial statements.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £174 517 881 (2019: £144 843 116). Approved and authorised for issue by the board of directors on 17 June 2020 and signed on its behalf by:

^ *This relates to the the new investment in Ninety One group (formally known as Investec Asset Management Limited).*

Fani Titi

Chief executive officer

17 June 2020

Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Fair value reserve	Retained earnings	**Total shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	**Total equity**
At 31 March 2018	**195**	**29**	**1 317 115**	**180 606**	**–**	**334 048**	**1 831 993**	**250 000**	**2 081 993**
Issue of ordinary shares	5	–	65 617	–	–	–	65 622	–	65 622
Total comprehensive income	–	–	–	–	–	148 050	148 050	–	148 050
Dividends paid to preference shareholders	–	–	–	–	–	(490)	(490)	–	(490)
Dividends paid to ordinary shareholders	–	–	–	–	–	(109 334)	(109 334)	–	(109 334)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	–	(16 880)	(16 880)	16 880	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	–	(16 880)	(16 880)
At 31 March 2019	**200**	**29**	**1 382 732**	**180 606**	**–**	**355 394**	**1 918 961**	**250 000**	**2 168 961**
Issue of ordinary shares	2	–	64 643	–	–	–	64 645	–	64 645
Total comprehensive income	–	–	–	–	37 515	172 606	210 121	–	210 121
Dividends paid to preference shareholders	–	–	–	–	–	(549)	(549)	–	(549)
Dividends paid to ordinary shareholders	–	–	–	–	–	(96 498)	(96 498)	–	(96 498)
Dividends declared to Other Additional Tier 1 security holders	–	–	–	–	–	(16 880)	(16 880)	16 880	–
Dividends paid to Other Additional Tier 1 security holders	–	–	–	–	–	–	–	(16 880)	(16 880)
Capital reduction	–	–	(615 798)	–	–	1 258 198	642 400	–	642 400
Distribution to shareholders	–	–	–	–	–	(513 162)	(513 162)	–	(513 162)
At 31 March 2020	**202**	**29**	**831 577**	**180 606**	**37 515**	**1 159 109**	**2 209 038**	**250 000**	**2 459 038**

^ *Restated as detailed in note 59.*

a. Basis of preparation

The parent accounts of Investec plc are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company is incorporated and domiciled in England and Wales and the company's accounts are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101 where applicable to the company:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Investec plc in which the entity is consolidated
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118(e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16, provided that the disclosures of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separated for lease liabilities and other liabilities, and in total.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in consolidated financial statements of the group.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments in subsidiaries and interests in associated undertakings are stated at cost less any accumulated impairment in value.

Equity securities measured at fair value with fair value movements presented in other comprehensive income

The equity securities for which fair value movements are shown in other comprehensive income are business facilitation and other similar investments where the company holds the investments other than to generate a capital return. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss (except for dividend income, which is recognised in profit or loss).

Income

Dividends from subsidiaries are recognised when received. Interest is recognised on an accrual basis.

Taxation

Current tax payable is provided 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 using the balance sheet method 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 the investments in subsidiaries and interests in associated undertakings, 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 tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Financial assets

Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as loans and receivables or fair value through profit and loss.

Financial Liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

b. Investments in subsidiary undertakings

31 March £000	**2020**	2019
At the beginning of the year	1 551 774	1 772 805
Additions	242 305	–
Disposals	(92 305)	–
Return of capital by subsidiary	–	(221 031)
At the end of the year	**1 701 774**	**1 551 774**

Investec 1 Limited on 28 June 2019 issued 5 000 000 and on 25 March 2020, 10 000 000 ordinary shares of £0.01 pence for a cash consideration of £10.00 per share. During the year Investec Plc purchased Investec Asset Management Limited shares from its subsidiary and subsequently disposed of it as part of the demerger transaction which is described in note 35 of the group financial statements.

In the prior year, Investec Holdings Company Limited reduced its capital by reducing the number of shares held from 3 000 to 5, 20p ordinary shares and settled by intercompany.

c. Securities issued by subsidiary undertaking

On 16 October 2017, the company acquired £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1 securities') issued by Investec Bank plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. 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 the company will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec Bank plc group 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.

d. Debt securities in issue

On 5 May 2015, the company issued £300 million 4.50% Senior Unsecured Notes from its European Medium Term Note programme ('EMTN'). The notes mature on 5 May 2022 and pay interest at a fixed rate annually in arrears. On 7 August 2017 the company issued a further £100 million of the 4.5% Senior Unsecured Notes due 2022, at a premium of 108.479%, which has been consolidated with and form a single series with the existing Notes.

The company has redeemed a Euro denominated note of €25 million issued on 14 February 2014, which paid interest at a fixed rate of 3.48% semi-annually in arrears. The Notes matured on 29 September 2017.

e. Audit fees

Details of the company's audit fees are set out in note 7 of the group financial statements.

f. Dividends

Details of the company's dividends are set out in note 10 of the group financial statements.

g. Share capital

Details of the company's ordinary share capital are set out in note 41 of the group financial statements. Details of the perpetual preference shares are set out in note 42 of the group financial statements. Details of the Additional Tier 1 securities are set out in note 45 of the group financial statements.

h. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the combined consolidated Investec annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2020.

i. Subsidiaries

At 31 March 2020	Principal activity	Interest held
* *Directly owned by Investec plc*		
United Kingdom		
Registered office: 30 Gresham Street, London, EC2V 7QP, UK		
Investec 1 Ltd*	Investment holding	100%
Investec Holding Company Limited*	Investment holding	100%
Investec (UK) Limited	Holding company	100%
Investec Group (UK) Ltd	Holding company	100%
Guinness Mahon Group Ltd	Holding company	100%
Investec Bank plc	Banking institution	100%
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 Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non trading	100%
PEP Services (Nominees) Limited	Non trading	100%
R & R Nominees Limited	Non trading	100%
Rensburg Client Nominees Limited	Nominee services	100%
Scarwood Nominees Limited	Non trading	100%
Spring Nominees Limited	Non trading	100%
Tudor Nominees Limited	Non trading	100%
PIF Investments Ltd (previously G. P. International 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%
IEC UK Investment Management Ltd	Leasing company	100%
The Leasing Acquisition General Partnership	Leasing partnership	n/a
Investec Bank (Nominees) Limited	Nominee company	100%
Investec Finance Ltd (previously Investec Finance plc)	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
ICF Investments 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%
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 (previously Canada Water (Developments) Ltd)	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%
Investec Investments Limited	Investment holding	100%
Outward VC Fund LLP	Investment company	29%
PSV Marine Ltd	Shipping holding company	100%
PSV Anjail Ltd	Shipping holding company	100%
PSV Randeep Ltd	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	100%
Registered office: 30 Gresham Street, London, EC2V 7QN, UK		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc	Leasing company	100%
Investec Asset Finance (No.8) Limited	Holding company	100%
Australia		
Registered office: Level 23, The Chifley Tower,		
2 Chifley Square, Sydney, NSW 2000, Australia		
Investec Australia Property Holding Pty Limited	Holding company for property investments	100%
IEC Funds Management Pty Ltd	Fund manager	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 investments	100%
Investec Australia Finance Limited	Lending company	100%
Investec Australia Limited	Financial Services	100%
Bowden (Lot 32) Holdings Pty Ltd	Holding company	100%
Bowden (Lot 32) Pty Ltd	Development company	100%
Investec Australia Direct Investments Pty Limited	Holding company for property investments	100%
Investec CWFIH Pty Limited	Dormant	100%
Mannum Powerco Pty Limited	Dormant	100%
Tungkillo Powerco Pty Limited	Dormant	100%
Investec Australia Funds Management Limited	Aviation trustee company	100%
Investec (Australia) Investment Management Pty Limited	Aviation fund company	100%
Investec Wentworth Private Equity Pty Limited	Dormant	100%
IWPE Nominees Pty Limited	Custodian	100%
Investec Templewater No. 1 Pty Limited	Property Fund Manager	100%
Investec Credit Funds Management Pty Limited	Trustee Company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
China		
Registered office: Room 6D-67, 6th Floor, No. 213 Building, Tairan Science and Technology Park, Tairan 4th Road, Tianan Community, Shatou Sub-District, Futian District, Shenzhen, Guangdong, China		
Investec Shenzhen Limited	Advisory Services	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%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Bayeux Limited	Corporate trustee	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Trust and company administration	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: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance 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%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
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: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India		
Investec Capital Services (India) Private Limited	Merchant banking and stock broking	99.89%
Investec Credit Finance Private Limited	Lending platform	99%
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 Private Finance Ireland Limited (previously Investec Corporate Finance (Ireland) Ltd)	Retail Credit Firm	100%
Investec Ventures Ireland Limited	Venture capital	100%
Venture Fund Principals Limited	Special partner	100%
Investec Europe Limited	MiFiD Firm	100%
Jersey		
Registered office: One The Esplanade, St Helier, Jersey, JE2 3QA, Channel Islands		
Investec Finance (Jersey) Ltd*	Share trust	100%
Registered office: PO Box 344 One The Esplanade St Helier Jersey JE4 8UW, Channel Islands		
Investec GP (Jersey) Limited	Investment holding company	100%
Luxembourg		
Registered office: 560, rue de Neudorf, L-2220 Luxembourg		
Investec Finance SARL	Dormant	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Ltd	Securities services	100%
Switzerland		
Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland		
Reichmans Geneva SA	Trading company	100%

i. Subsidiaries *(continued)*

At 31 March 2020	Principal activity	Interest held
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution	100%
United States of America		
Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA		
Investec USA Holdings Corporation Inc	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC	Investment holding company	100%
Fuel Cell IP 2 LLC	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%
US Multifamily GP LLC	Investment holding company	100%

Associates and joint venture holdings

At 31 March 2020	Principal activity	Interest held
Australia		
Registered office: Point Cook Road, Point Cook, Victoria, Australia		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands		
Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg		
Registered office: 15, Rue Bender, L-1229 Luxembourg		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
Registered office: 19, Rue Eugene Ruppert, L-2453 Luxembourg		
Grovepoint S.a.r.l.	Investment and advisory	42%
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%

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

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

Adjusted earnings attributable to ordinary shareholders	Earnings attributable to shareholders adjusted to remove acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders
Adjusted operating profit	Refer to the calculation in the table below

£’000	**31 March 2020**	31 March 2019
Operating profit before acquired intangibles and strategic actions	130 250	226 267
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Adjusted operating profit	***129 386***	*230 746*

Annuity income	Net interest income (refer to page 197) plus net annuity fees and commissions (refer to page 198).
Core loans to equity	Net core loans and advances divided by total shareholder’s equity per balance sheet
Cost to income ratio	Refer to calculation in the table below

£’000	**31 March 2020**	31 March 2019
Operating costs (A)	740 792	823 374
Total operating income before expected credit loss impairment charges	948 249	1 076 334
Less: Depreciation on operating leased assets	(1 407)	(2 137)
Add: Profit / Loss attributable to other non-controlling interests	(864)	4 479
Total (B)	945 978	1 078 676
Cost to income ratio (A/B)	***78.3%***	*76.3%*

Coverage ratio	ECL as a percentage of gross core and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Gearing ratio	Total assets excluding assurance assets divided by total equity
Gross core loans and advances	Refer to calculation on page 74.
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)
Net core loans and advances	Refer to calculation on page 74.
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 197.
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

Cash and near cash

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

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before acquired intangibles and strategic actions and excluding share of post-taxation profit of associates and joint venture holdings

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and finance lease receivables. Refer to page 197 for calculation

Interest-bearing liabilities

Deposits by banks, customer accounts (deposits), repurchase agreements and cash collateral on securities lent, debt securities in issue, lease liabilities and subordinated liabilities. Refer to page 197 for calculation

Legacy assets 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

Ninety One and Ninety One group

All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

Ongoing basis

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

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business, demerger of the asset management business and financial impact of group restructures

Subject to ECL

Includes financial assets held at amortised cost and FVOCI. Refer to page 74 for core loans and advances subject to ECL

Third party assets under management

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

GLOSSARY

The following abbreviations have been used throughout this report:

AGM	Annual general meeting
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
AML	Anti money laundering
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CCB	Capital conservation buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CDO	Collateralised debt obligation
CDS	Credit Default Swap
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFT	Combating the Financing of Terrorism
CLO	Collateralised loan obligation
COFI Bill	Condust of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRDIV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC Remco	DLC Remuneration Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principals
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GM	Guinness Mahon
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
HR	Human resources
IAM	Investec Asset Management
IASB	International Accounting Standards Board
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standard
ISAs (UK)	International Standards on Auditing (UK)
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage Ratio

LGD	Loss given default
LHS	Left hand side
LSE	London Stock Exchange
MDR	Mandatory Disclosure Rules
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NSFR	Net Stable Funding Ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OD	Organisation development
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RPA technologies	Robotic Process Automation technologies
RWA	Risk-weighted asset
SDGs	Sustainable Development Goals
SIPP	Self Invested Personal Pension
SME	Small and Medium-sized Enterprises
SMMEs	Small, Medium & Micro Enterprises
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
TCFD	Task Force on Climate-related Financial Disclosures
tCO2e	Tonnes of CO2 emissions
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UN	United Nations
UN GISD	United Nations Global Investment for Sustainable Development
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
YES	Youth Employment Service

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