OUT OF THE ORDINARY

Investec

Built on strong foundations

Investec plc silo
(excluding Investec Limited)
annual financial statements 2021

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

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

Page references
Refers readers to information elsewhere in this report

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

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

Reporting standard
Denotes our consideration of a reporting standard

Unaudited information
Indicates information which has not been audited

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

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

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

For queries regarding information in this document:

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

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

Sections 01 to 02 comprise our Strategic Report

01 Operational and strategic report

02 Financial review

03 Risk management and environmental, social and governance (ESG)

04 Annual financial statements

Parent company annual financial statements

01

Operational and strategic overview

WHO WE ARE

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

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

WHO WE ARE
CONTINUED

WHO WE ARE
CONTINUED

WHO WE ARE
CONTINUED

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

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

Investec. Out of the Ordinary.

OVERVIEW OF THE INVESTEC GROUP'S AND INVESTEC PLC'S ORGANISATIONAL 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 our DLC structure, Investec Limited is the holding company of our businesses in Southern Africa, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc on the LSE (since 2002).

All references in this report to the 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.

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

How we are structured

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

Salient features of the DLC structure

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

OUR BUSINESS AT A GLANCE

One Investec

Our purpose

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

Our mission

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

Our distinction

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

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

Our strategic direction

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

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

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

Our values

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

1

Cast-iron integrity

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

2

Distinctive performance

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

3

Client focus

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

4

Entrepreneurial spirit

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

5

Dedicated partnership

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

OUR STRATEGIC OBJECTIVES

Driving sustainable long-term growth

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

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

Our long-term strategic focus:

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

Medium-term strategic objectives

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

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

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

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

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

Read more in our Divisional Review section on pages 40 to 49.

OUR BUSINESS MODEL

Creating sustainable, long-term value

Key highlights

Core areas of activity	Total employees	Core loans	Customer deposits	Funds under management
2	3 500+	£12.3bn	£16.1bn	£41.7bn

Our clients and offering

Corporate / Institutional / Private Equity / Intermediary / Government

Private client (high net worth) / Charities / Trusts

Specialist Banking

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

Wealth & Investment

- Discretionary wealth management
- Investment advisory services
- Financial planning

Our approach

We have market-leading, distinctive client franchises

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

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

Our stakeholders

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

Our clients

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

Our people

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

Our communities

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

Our planet

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

OVERVIEW OF THE ACTIVITIES OF INVESTEC PLC

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

Specialist Banking

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

What makes us distinct?

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

Focus on helping our clients create and preserve wealth

High net worth private clients

Private client banking activities

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

UK
Channel Islands

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

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

A highly valued partner and adviser to our clients

Corporate, private, intermediary, government and institutional clients

Corporate and investment banking activities

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

UK and Europe
Channel Islands
USA
India
Hong Kong

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

Natural linkages between the private client and corporate business

OVERVIEW OF THE ACTIVITIES OF INVESTEC PLC
CONTINUED

Wealth & Investment

A leading private client investment manager in the UK

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

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

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

Our client groups

- Private clients – domestic and international
- Clients of professional 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 clients' wealth.

Our offering

UK and Europe

Investment and savings

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

Financial planning

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

Pensions and retirement

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

OUR OPERATIONAL FOOTPRINT

UK 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

Channel Islands

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

India

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

Hong Kong

- Established a presence in 1992
- Private equity fund solutions

USA

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

Ireland

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

Switzerland

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

During the period, the Investec group made the strategic decision to exit its operations in Australia. Refer to page 51 for more information.

OUR PERFORMANCE AT A GLANCE — CONTINUING OPERATIONS

Our client franchises showed resilience

Adjusted operating profit decreased 15.2%

£109.7 million

2020: £129.4 million

Profit after tax from continuing operations increased significantly

£68.9 million

2020: £24.0 million

- The 2021 financial year was a tale of two halves. First half performance was characterised by difficult and volatile market and economic conditions attributable primarily to COVID-19. The second half showed strong earnings recovery, supported by our resilient client base, a rebound in economic activity and a greater sense of optimism spurred on by global vaccination campaigns. We carry this momentum into the 2022 financial year, focused on actively servicing our clients and delivering long-term value
- The Wealth & Investment business reported positive net organic growth in FUM of 3.3% since 31 March 2020. Net inflows of £1.1 billion, favourable market movements and good investment performance, contributed to a record increase in FUM to £41.7 billion (FY2020: £33.1 billion). Revenue was broadly flat compared to the prior year, positively impacted by organic growth in FUM in the current and prior year, increased transaction volumes and the associated repositioning of client portfolios, and negatively impacted by lower interest rates
- The Specialist Banking client franchises performed strongly, showing continued traction in our client acquisition strategy across the business, and reporting loan book growth of 3.9%. The investment in our Private Banking business is bearing fruit and performing ahead of expectations. Net interest income increased despite lower interest rates, and we saw strong equity capital markets activity and an improvement in investment income. Revenue was impacted by risk management and risk reduction costs of £93 million related to the structured products book
- Operating costs increased by 3.3% year-on-year; however, fixed costs decreased, driven by headcount reduction and lower discretionary spending. These savings were offset by an increase in variable remuneration reflecting improved business momentum and continued investment in technology. The group incurred approximately £26 million of one-off restructuring costs in the period
- Overall, Investec plc reported an adjusted operating profit of £109.7 million for the year ended 31 March 2021 (2020: £129.4 million).
- As a result of the foregoing factors, profit after taxation from continuing operations increased to £68.9 million (2020: £24.0 million), primarily due to the non-repeat of prior year costs associated with strategic actions taken to close, sell and restructure certain non-core and subscale businesses.

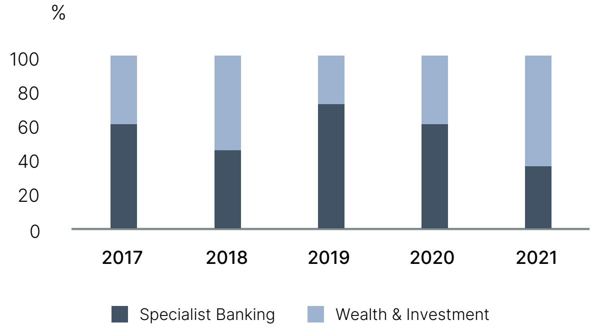
OUR PERFORMANCE AT A GLANCE — CONTINUING OPERATIONS
CONTINUED

Financial performance

Adjusted operating profit decreased 15%	**2021** £109.7mn **2020** £129.4mn
Annuity income as a % of total operating income	**2021** 72.3% **2020** 71.5%
Cost to income ratio	**2021** 80.9% **2020** 78.3%
Credit loss ratio	**2021** 0.56% **2020** 0.69%

Diversified business model

% contribution of adjusted operating profit (excluding group costs)

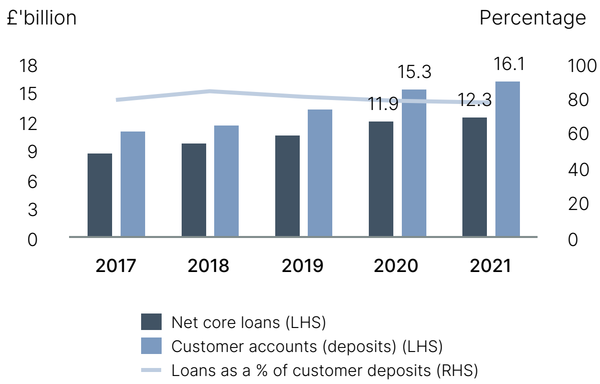


Continued growth of our key earnings drivers

Customer accounts (deposits)
increased 5.2% to
£16.1 billion

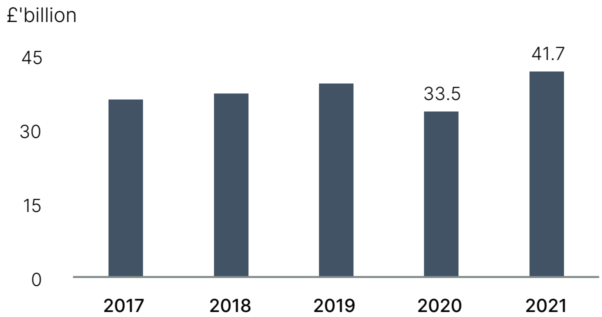
Core loans
increased 3.9% to
£12.3 billion

Customer accounts (deposits) and loans



Funds under management
increased 24.6% to
£41.71 billion
reflecting market recovery, net inflows and good investment performance

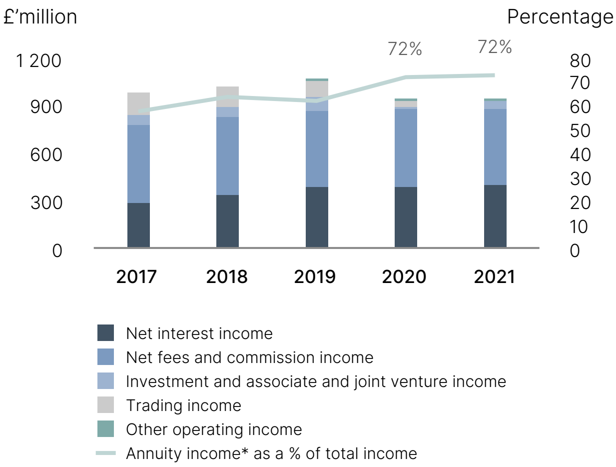
Funds under management



OUR PERFORMANCE AT A GLANCE — CONTINUING OPERATIONS
CONTINUED

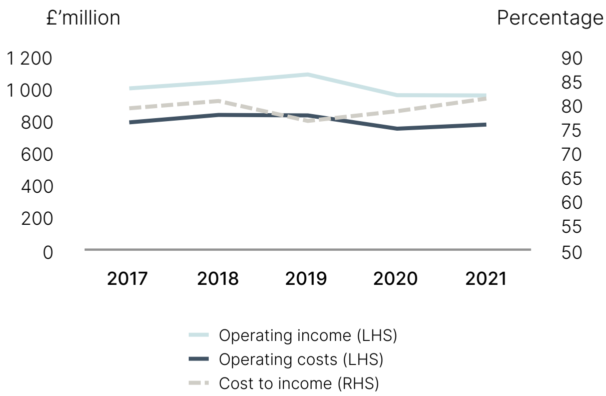
Strong annuity base albeit impacted by low interest rates and subdued activity due to COVID-19 environment

Total operating income



* Where annuity income is net interest income and annuity fees

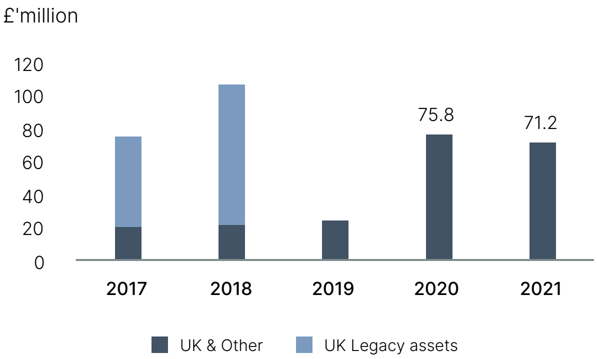
Jaws ratio



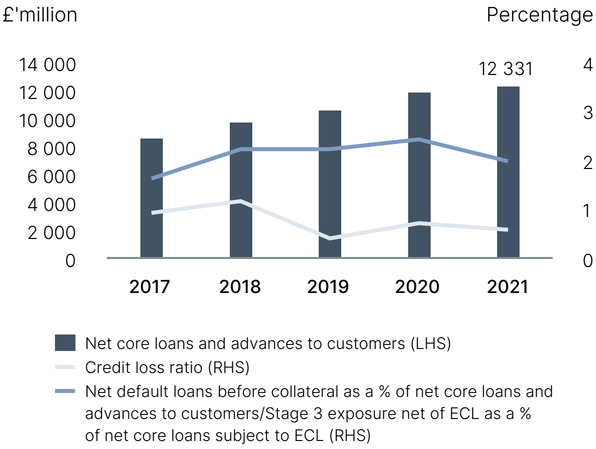
Growth in net interest income, equity capital markets fees and investment and associate income offset by lower lending fees and structured products risk management and risk reduction costs

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

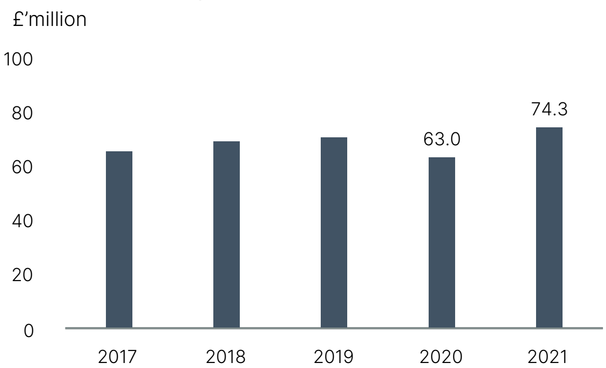
Expected credit loss (ECL) impairment charges



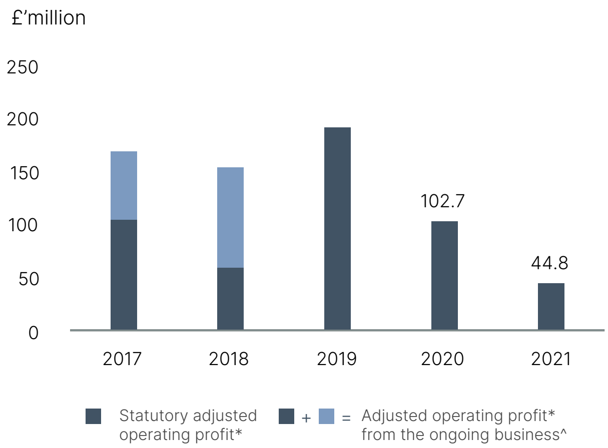
Default and core loans



Adjusted operating profit – Wealth & Investment



Adjusted operating profit – Specialist Banking



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

OUR PERFORMANCE AT A GLANCE — CONTINUING OPERATIONS
CONTINUED

Maintained a sound balance sheet

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

Capital management

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

Investec 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% given our solid capital light revenues, and with our leverage ratio at 7.8%.

Capital ratios

	31 March 2021	31 March 2020
Common Equity Tier 1 ratio*	11.0%	10.7%
Common Equity Tier 1 ratio (fully loaded)	10.5%	10.3%
Tier 1 ratio*	12.7%	12.4%
Total capital ratio*	14.9%	14.9%
Leverage ratio	7.8%	7.8%
Leverage ratio (fully loaded)	7.4%	7.4%
Leverage ratio (UK leverage ratio framework)**	9.0%	8.9%

* The CET1, Tier 1 and total capital 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 112 and 113 for further details.

A well-established liquidity management philosophy remains in place

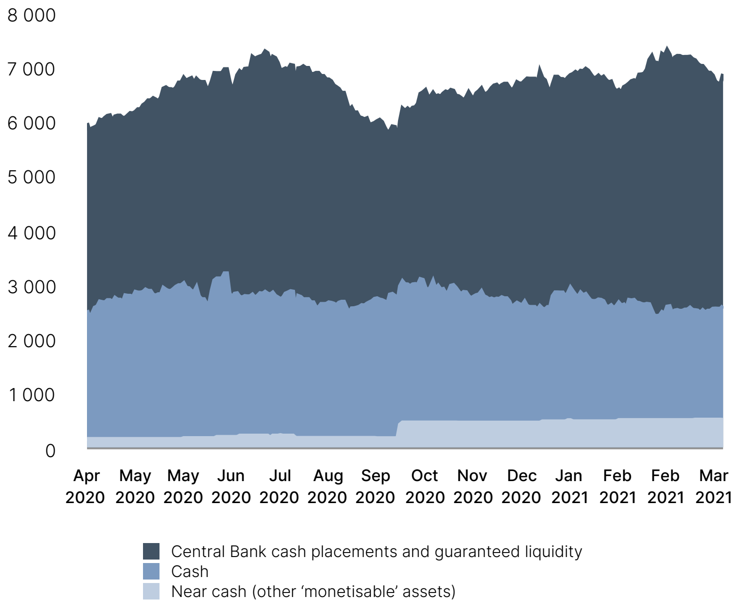
Continued to focus on:
- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%, with the year-end ratio at 39.5%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk
- 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 £6.9 billion (2020: £6.0 billion). Average cash balances remained high as we maintained a conservative position holding higher levels of group cash balances due to the onset of the COVID-19 pandemic.

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

The bank's loan to deposit ratio was: 76.7% (2020: 77.7%).

Cash and near cash trend
£'million



STAKEHOLDER ENGAGEMENT AND VALUE CREATION

Listening and engaging with our stakeholders

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

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

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.

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

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

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

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

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

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Clients

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

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

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

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

£3.5bn

in equity capital raised across 30 corporate clients

Our people*

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

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

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

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

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Investors

Our shareholders (largely institutional) are primarily based in South Africa and the UK given our group DLC structure. We also engage with debt investors who hold instruments issued by Investec plc.

What matters to them
- Progress against strategic objectives
- Financial performance
- Business sustainability
- Management expectations and guidance on future business performance
- Balance sheet resilience
- Executive remuneration

How we engage
- Regular meetings with executive directors, senior management and investor relations
- Annual meeting with the Chair of the board, Chair of the Remuneration Committee, senior independent director (SID), investor relations, and group company secretarial
- Annual general meeting hosted by the Chair of the board with board members in attendance
- Two investor presentations and two pre-close investor briefing calls presented by the Investec group CEO and CFO
- Stock exchange announcements
- Comprehensive investor relations website
- Investor roadshows and presentations
- Regular telephone and email communications
- Annual and interim reports

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

133

meetings with existing and prospective investors

Communities

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

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

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

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

£2.2mn

spent on community initiatives (2020: £1.8mn)

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Government and regulators

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

What matters to them

- Compliance with existing and evolving regulatory requirements
- Our declaration of dividends in FY2021 followed engagement with the regulators and consideration of regulatory guidance provided to banks in the UK
- Assurance that we have robust prudential standards and supervision in place
- Fair treatment of our clients and employees
- Financial and operational resilience in the face of changing market conditions
- Risk appetite and risk management
- Capital and liquidity stress testing
- Group tax strategy.

How we engage

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

FY2021 highlights

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

£213mn

total loans approved under COVID-19 government lending schemes

ESG analysts and climate focused industry bodies

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

What matters to them

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

How we engage

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

FY2021 highlights

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

Net-zero

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Suppliers

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

What matters to them

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

How we engage

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

FY2021 highlights

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

suppliers across the Investec group screened against ethical supply chain practices

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Principal decisions

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

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

- The board supported the decision to commit 1% of the group's pre-tax profit to COVID-19 relief efforts. Across the Investec group, support for our communities amounted to £2.1 million, providing financial assistance across an extensive range of causes, particularly in support of healthcare, economic continuity, education, gender-based violence and food security. Please refer to our website for details on our group COVID-19 response to helping communities
- For our clients, the board supported the decisive action taken by the Investec group to leverage our resources to provide help. Through continuous engagement with our clients, industry bodies and regulators, we have structured different types of support to suit diverse client needs. We also collaborated with government to roll out relief schemes. By 31 March 2021, under the various government lending schemes, we had approved loans totalling £213 million. At the same time, the board conducted comprehensive risk reviews to understand emerging risks associated with support provided, to ensure the integrity of the balance sheet. For further details of relief measures, please refer to page 77
- For our people, given the global resurgence of waves of COVID-19 infections, the closure of offices and, in some jurisdictions, schools, as well as the implementation of stricter lockdown regulations, the board was heavily focused on the wellbeing of employees. The support we provided to employees was well organised and continuously communicated. Through continuous engagement mechanisms with our colleagues, we were able to respond to their emerging needs during this period of uncertainty.
- For the organisation, the board considered what the future world of work means for plc. As the pandemic evolves, the board is continuously monitoring people challenges, including assessing the implications of flexible working arrangements and the consequent impact on culture, talent management and morale

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

On our journey to improve shareholder returns, the board approved the decision to refocus the UK bank on its core domestic market and rightsize the cost base. This resulted in 194 roles being made redundant as part of the restructure programme and a complete exit from Australia. Through a variety of workforce engagement mechanisms, we processed the reasons for the decision and informed our workforce about the impending redundancies. The board recognises that this is our first major redundancy programme on this scale. The board will monitor the impact of this decision on the culture of the company, specifically focusing on adverse effects on talent retention. Management initiated a series of engagement activities with the remainder of the workforce to deal with concerns related to the decision. Following the engagements, work is ongoing to ensure employees are given a clear sense of purpose and understanding as to how they fit into the vision for the bank.

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

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

New remuneration policy
To enable the DLC Remuneration Committee to develop the group's proposed new remuneration policy, a number of meetings were held with our key shareholders during the year.

To reflect the revised structure and complexity of the group following the demerger of Ninety One in March 2020, we presented a revised remuneration policy for approval to shareholders at the AGM in August 2020. The key changes to the policy were as follows:

- Simplified the remuneration structure with all fixed remuneration delivered in cash and all variable remuneration in shares
- Reduced the fixed remuneration by 25% and the variable opportunity by 25%
- Reduced the amount of bonus available for target performance
- Increased the value of shareholding requirements.

The Chair of the DLC Remuneration Committee and the Chair of the board consulted with our key shareholders regarding the proposed policy changes in July 2020. The feedback was generally supportive, particularly in respect of the simplification of the policy and the reduction in remuneration opportunity.

However, some of the group's shareholders, while 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. In addition, regulatory constraints in the UK mean we are required to have a different remuneration structure to the other South African banks with a higher proportion, and therefore quantum, in fixed remuneration. Despite the group's active engagement on these matters, certain shareholders decided to vote against the remuneration report at the AGM in 2020, and we were disappointed to receive a vote in favour of the policy of just below 80%.

Due to the uncertainty caused by the COVID-19 pandemic, setting of performance targets for the 2020 Long-term Incentive (LTI) and the 2021 Short-term Incentive (STI) were delayed. Shareholder consultation took place where possible, and targets were confirmed in November 2020.

In February 2021, the Chair of the DLC Remuneration Committee and the Chair of the board consulted with our key shareholders and the Investment Association regarding the development of our proposed remuneration policy. The shareholders welcomed the engagement, appreciated the time taken, and were generally supportive of the overall proposed framework. In particular, they generally expressed appreciation of the improving alignment of management remuneration structures with their interests. They were also very supportive of the simplification of the policy, the removal of the sharing pool in the Short-term Incentive and the introduction of the risk modifier. A number expressed concerns around the proposed high percentage of vesting for threshold performance for the Relative TSR measure in the LTI and that the ESG weighting in the LTI was somewhat low. We have responded to those concerns by reducing the percentage of vesting for threshold performance in the TSR measure to 25%, and increasing the weighting of the ESG measure to 10% in the LTI in the proposed policy.

The group remains committed to its remuneration principles which include:

- Setting stretched but realistic targets prospectively
- Ensuring remuneration outcomes reflect business performance.

The Chair of the Remuneration Committee and the Chair of the board look forward to engaging with our key shareholders again in July, ahead of the AGM in August.

Details of the proposed policy (which is to be tabled at the 2021 AGM) can be found on pages 160 to 169 in volume one of the Investec group's 2021 integrated annual report, and details of the remuneration outcomes for the year can be found on pages 156 to 158 in volume one of the Investec group's 2021 integrated annual report.

Tabling a climate risk-related resolution at the 2020 AGM
The board regularly engages with a range of stakeholders (including shareholders, ESG analysts and rating agencies) on a number of ESG and climate topics that are relevant for the business. With the Investec group's South African business becoming the first bank in South Africa to release a separate report aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), the Investec group has shown that sustainability is central to our strategic direction of the group.

The board also acknowledges that climate change represents a material financial risk, and continues to oversee the evaluation of our exposure to understand and mitigate potential risks. The board takes ultimate accountability for climate-related issues, supported by a board-approved Social and Ethics Committee. This structure has been in place for many years and was strengthened to include senior executive responsibility for identifying and managing climate-related risks.

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

- Workforce engagement included conversations around implementing the Investec group's fossil fuel policy and its impact on lending and investing activities
- We actively engaged with clients to assist in transitioning to a low carbon economy, leading to the issuance of certain ESG-linked lending and investment products
- The Investec group met with ESG analysts, rating agencies, climate-related industry bodies, and shareholder activist organisations to ensure we remained up to date on industry trends and best practice
- We gave shareholders the opportunity to discuss any climate-related concerns with members of the board during roadshows, and also through our Investor Relations function which received ad-hoc requests for further information.

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

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

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

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

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

The board's decision to table a climate risk-related resolution at the 2020 AGM is an illustration of our commitment to addressing climate issues, and aligns with our purpose of living in, not off, society.

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

Belonging, Inclusion and Diversity

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

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

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

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

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

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

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

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

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Value creation through the six capitals

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 wellbeing.

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 various community programmes.

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 →

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

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

Our 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

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

Specialist Banking

Wealth & Investment

We have market-leading specialist 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, entrepreneurial spirit

Strategic focus for the next year
- Growth initiatives: Focus on growing our client base and building new sources of revenue
- Improved cost management: Heightening the rigour with which we identify 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 business, across geographies
- Capital discipline: Adopting a more disciplined approach to capital allocation, particularly where businesses are non-core to overall long-term growth and capital strategy.

Informed by regular stakeholder engagement
Refer to pages 19 to 26

Supported by strong risk management, ESG screening and governance culture
Refer to pages 22 and 23 in volume two of the Investec group's 2021 integrated annual report

STAKEHOLDER ENGAGEMENT AND VALUE CREATION
CONTINUED

Outputs →	Outcomes →	SDGs
Human capital • Staff participating in employee wellness initiatives: 6 730 visits to the wellbeing hub • Learning and development as a % of staff cost down to 0.5% due to COVID-19 (2020: 0.8%) (target: >1.5%) • Total staff turnover: 12.0% due to a restructure in the UK and Australia (2020: 13.7%) • All employees participate in culture and values dialogues • 41% female employees and 22% females in senior management positions.	• A safe and healthy work environment that values physical as well as psychosocial wellbeing • 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 • Annuity income as a percentage of operating income is 72.3% (2020: 71.5%) • Credit loss ratio of 0.56% (March 2020: 0.69%) • Enhanced our ESG policies, processes and reporting.	• 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 • Customer accounts up 5.2% to £16.1 billion • Spent £817 729 on COVID-19 relief for communities • 1.8% community spend as a % of operating profit (2020: 1.3%) • Financed more than £158 million towards student accommodation.	• Maintained 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.	
Natural capital • Our banking book fossil fuel exposures remained at 1.2% of gross credit and counterparty exposures at March 2021 (March 2020: 1.2%) • We are sourcing almost 98% of our Scope 2 energy from renewable sources through Renewable Energy Certificates • Maintained our net-zero direct (Scope 1, 2 and operational Scope 3) carbon emissions status for the past three financial years.	• 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 • 17.4% of total operating costs relate to IT spend • 20% of staff have IT specialist skills • Swiftly enabled >95% of staff across the world to work from home during COVID-19 • Launched digital retail savings to reduce the cost of funding and broaden our retail funding base • Made targeted investments in AI capabilities.	• 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 • Profit after tax from continuing operations increased significantly to £68.9 million (2020: £24.0 million) and adjusted earnings per share down 14.7% to 28.9p • Core loans up 63.9%. Customer accounts up 5.2% to £16.1 billion and net inflows of £1.1 billion • Common Equity Tier 1 ratio of 11.0% (2020: 10.7%) and CET1 fully loaded of 10.5% (2020: 10.3%) • Credit loss ratio of 0.56% (March 2020: 0.69%).	• Client franchises have shown resilience • Strong balance sheet with robust capital and liquidity levels • Increased provisioning levels and continued monitoring of credit exposures • Made progress on strategic initiatives.	

For more information on the SDGs refer to our 2021 group sustainability and ESG supplementary report
For more information on our climate disclosures refer to our TCFD report

CREDIT RATINGS

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

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

On 24 July 2020, Fitch affirmed IBP's long-term issuer default rating (IDR) at BBB+ and removed the Rating Watch Negative (that had been placed on IBP's ratings on 1 April 2020 following the onset of the COVID-19 pandemic) to reflect Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn. The outlook on the long-Term IDR is negative to reflect the ongoing downside risks relating to COVID-19. Our ratings at 23 June 2021 were as follows:

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

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

SHAREHOLDER ANALYSIS

Investec ordinary shares

As at 31 March 2021, Investec plc had 696.1 million ordinary shares in issue.

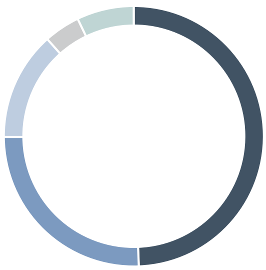
Spread of ordinary shareholders as at 31 March 2021

Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
15 022	1 - 500	53.5%	2 494 271	0.4%
4 727	501 - 1 000	16.8%	3 593 762	0.5%
5 796	1 001 - 5 000	20.6%	12 771 853	1.8%
920	5 001 -10 000	3.3%	6 666 777	1.0%
907	10 001 - 50 000	3.2%	20 074 784	2.9%
222	50 001 - 100 000	0.8%	15 309 197	2.2%
481	100 001 and over	1.8%	635 171 974	91.2%
28 075		**100.0%**	**696 082 618**	**100.0%**

Geographical holding by beneficial ordinary shareholder as at 31 March 2021

Investec plc



South Africa	49.4%
UK	25.5%
USA and Canada	13.5%
Rest of Europe	4.5%
Asia	—%
Other countries and unknown	7.1%

Largest ordinary shareholders as at 31 March 2021

In accordance with the terms provided for in Section 793 of the UK Companies Act, 2006 and Section 56 of the South African Companies Act, 2008, 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. Public Investment Corporation (ZA)	83 457 484	12.0%
2. Prudential Portfolio Mgrs (ZA)	71 241 361	10.3%
3. Allan Gray (ZA)	52 144 500	7.5%
4. The Vanguard Group, Inc (US & UK)	30 662 160	4.4%
5. BlackRock Inc (US & UK)	30 066 281	4.3%
6. Investec Staff Share Scheme (UK)	28 883 926	4.2%
7. BrightSphere Investment Group (US & UK)	18 167 610	2.6%
8. Schroder Investment Mgt (US & UK)	16 777 780	2.4%
9. Norges Bank Investment Mgt (EU)	14 749 919	2.1%
10. Old Mutual Investment Group (ZA)	14 073 094	2.0%
Cumulative total	**360 224 115**	**51.8%**

The top 10 shareholders account for 51.8% 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 ANALYSIS
CONTINUED

Shareholder classification as at 31 March 2021

	Number of Investec plc shares	% holding
Public*	661 803 831	95.1 %
Non-public	34 278 787	4.9 %
Non-executive directors of Investec plc/Investec Limited	3 415 006	0.5 %
Executive directors of Investec plc/Investec Limited	1 979 855	0.3 %
Investec staff share schemes	28 883 926	4.1 %
Total	**696 082 618**	**100.0 %**

* As per the JSE Listings Requirements.

Share statistics

For the period ended	31 March 2021	31 March 2020
Price earnings ratio[1]	7.6	4.5
Dividend payout ratio (%)	45.0	38.1*
Dividend yield (%)	5.9	5.3*
Earnings yield (%)[1]	13.2	22.3

Investec plc

For the year ended	31 March 2021	31 March 2020
Daily average volumes of shares traded ('000)	2 802	2 631
Closing market price per share (Pound Sterling)	2.19	1.52
Number of ordinary shares in issue (million)	696.1	696.1
Market capitalisation (£'million)[2]	1 433	1 010

1. Calculations are based on the adjusted earnings per share from continuing operations and the closing share price.
2. This calculation of market capitalisation excludes the group's Treasury shares. For the market capitalisation of Investec plc, the LSE only includes the shares in issue for Investec plc, as Investec Limited is not incorporated in the UK.

* 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 for the 2020 financial year. The 11.0 pence in FY2020 reflects the interim dividend per share which was prior to the demerger of the asset management business (Ninety One).The dividend payout ratio and dividend yield are therefore calculated with reference to the corresponding adjusted earnings and closing share price, respectively, for the six months ended 30 September 2019.

SHAREHOLDER ANALYSIS
CONTINUED

Investec preference shares
Investec plc had issued preference shares.

Spread of preference shareholders as at 31 March 2021
Investec plc preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
46	1 – 500	16.5%	8 698	0.3%
29	501 – 1 000	10.4%	22 767	0.8%
129	1 001 – 5 000	46.2%	251 940	9.1%
24	5 001 – 10 000	8.6%	183 941	6.7%
39	10 001 – 50 000	14.0%	837 077	30.4%
8	50 001 – 100 000	2.9%	566 026	20.6%
4	100 001 and over	1.4%	884 138	32.1%
279		**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
28	1 – 500	38.4%	5 008	3.8%
18	501 – 1 000	24.7%	14 279	10.9%
19	1 001 – 5 000	26.0%	47 369	36.0%
5	5 001 – 10 000	6.8%	27 791	21.1%
3	10 001 – 50 000	4.1%	37 000	28.2%
—	50 001 – 100 000	—%	—	—%
—	100 001 and over	—%	—	—%
73		**100.0%**	**131 447**	**100.0%**

Largest preference shareholders as at 31 March 2021

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

Investec plc perpetual preference shares
Rock (Nominees) Limited 17.8%

CGWL Nominees Limited 6.1%

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

Private individual 9.9%

Private individual 8.4%

02

Financial review

FINANCIAL REVIEW — CONTINUING OPERATIONS

Key income drivers

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

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

Wealth & Investment

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

Group Investments

Key income drivers	Income impacted primarily by:	Income statement – primarily reflected as:
• Investments (including listed and unlisted equities) • Gains or losses on investments • Dividends received	• Macro- and micro-economic market conditions • Nature of the industry invested in • Availability of profitable exit routes • Attractive investment opportunities • Interest rate environment.	• Investment income

FINANCIAL REVIEW — CONTINUING OPERATIONS
CONTINUED

Specialist Banking

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

FINANCIAL REVIEW — CONTINUING OPERATIONS
CONTINUED

Overview
Investec plc reported an adjusted operating profit of £109.7 million for the year ended 31 March 2021 (2020: £129.4 million). The balance sheet remains strong, supported by sound capital, leverage and liquidity ratios.

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

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

1. Total operating income before expected credit loss impairment charges
Total operating income before expected credit loss impairment charges of £946.4 million was 0.2% lower than the prior year. The various components of total operating income are analysed below.

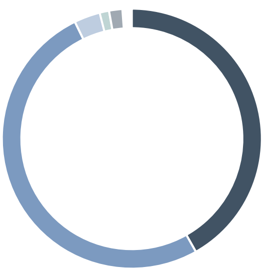
£'000	31 March 2021	% of total income	31 March 2020	% of total income	% change
Net interest income	399 714	42.3%	397 385	41.9%	0.6%
Net fee and commission income	488 523	51.6%	482 200	50.9%	1.3%
Investment income	31 266	3.3%	6 375	0.7%	>100%
Share of post-taxation profit of associates and joint venture holdings	10 829	1.1%	5 382	0.6%	>100%
Trading income/(loss) arising from					
– customer flow	(11 025)	(1.2%)	50 980	5.3%	(>100%)
– balance sheet management and other trading activities	11 262	1.2%	(537)	(0.1%)	(>100%)
Other operating income	15 831	1.7%	6 464	0.7%	>100%
Total operating income before expected credit loss impairment charges	**946 400**	**100.0%**	**948 249**	**100.0%**	**(0.2%)**

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

£'000	31 March 2021	% of total income	31 March 2020	% of total income	% change
Wealth & Investment	319 519	33.8%	317 731	33.5%	0.6%
Private Banking	36 536	3.9%	25 208	2.7%	44.9%
Corporate, Investment Banking and Other	581 492	61.4%	605 310	63.8%	(3.9%)
Group Investments	8 853	0.9%	—	—%	100.0%
Total operating income before expected credit loss impairment charges	**946 400**	**100.0%**	**948 249**	**100.0%**	**(0.2%)**

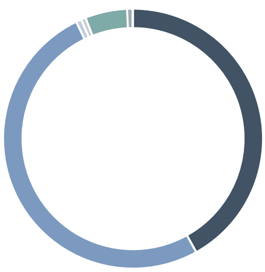
% of total operating income before expected credit loss impairment charges

31 March 2021
£946.4 million total operating income before expected credit loss impairment charges



Net interest income	42.3%
Net fee and commission income	51.6%
Investment income	3.3%
Share of post-taxation profit of associates and joint venture holdings	1.1%
Trading income arising from customer flow	(1.2%)
Trading income arising from balance sheet management and other trading activities	1.2%
Other operating income	1.7%

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



Net interest income	41.9%
Net fee and commission income	50.9%
Investment income	0.7%
Share of post-taxation profit of associates and joint venture holdings	0.6%
Trading income arising from customer flow	5.3%
Trading income arising from balance sheet management and other trading activities	(0.1%)
Other operating income	0.7%

FINANCIAL REVIEW — CONTINUING OPERATIONS
CONTINUED

Net interest income
Net interest income increased marginally by 0.6% to £399.7 million (2020: £397.4 million), notwithstanding the endowment effect from lower interest rates. The increase was supported by higher average interest earning assets, including average loan book growth.

For a further analysis of interest received and interest paid refer to page 185.

Net fee and commission income
Net fee and commission income increased by 1.3% to £488.5 million (2020: £482.2 million), supported by: higher client transaction volumes for Wealth & Investment which supported strong growth in brokerage fees; organic growth in FUM and investment outperformance; and an increase in equity capital markets activity. This was offset by lower lending fees mainly due to lower corporate activity and significant non-repeat fees in the prior year.

For a further analysis of net fee and commission income refer to page 186.

Investment income
Investment income increased by >100% to £31.3 million (2020: £6.4 million) primarily due to mark-to-market gains on listed equities, fair value adjustments on certain unlisted assets, dividend income from the investment in Ninety One, and the realised profit on sale of the Investec Australia Property Fund Limited (IAPF) management company.

For a further analysis of investment income refer to page 186.

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

Trading income from balance sheet management and other trading activities increased significantly to £11.3 million

(2020: £0.5 million loss) as a result of improved asset values following extreme COVID-19-related volatility in March 2020.

Other operating income
The increase in other operating income from £6.5 million to £15.8 million primarily reflects the fair value movements of the Ninety One shares held in the group’s staff share scheme as a result of the demerger and separate listing of Ninety One, whereby shareholders received one Ninety One share for every two Investec shares held. These shares are reflected on the group’s balance sheet in Other assets. The corresponding liability is reflected in Other liabilities with changes in the value of the liability expensed through staff costs in operating costs. Other operating income also includes income earned on operating lease rentals.

Expected credit loss impairment charges
Total ECL impairment charges declined to £71.2 million (2020: £75.8 million), primarily driven by the impact of muted book growth on Stage 1 and 2 ECLs. The credit loss ratio reduced to 0.56% (2020: 0.69%), and the ECL coverage ratio of our Stage 1 loan book also decreased to 0.3% from 0.4% in the prior year.

Stage 3 gross core loans subject to ECL decreased to £231 million (2.8% of gross core loans subject to ECL) at 31 March 2021 (31 March 2020: £272 million, equating to 3.3% of gross core loans subject to ECL).

Refer to pages 70 to 77 for further information on asset quality and page 187 for a breakdown of the expected credit loss impairment charges.

FINANCIAL REVIEW — CONTINUING OPERATIONS
CONTINUED

Operating costs

Operating costs increased by 3.3% to £766.4 million (2020: £742.2 million) This included one-off costs of approximately £26 million associated with the implementation of restructures as part of the group's strategy to simplify and focus the business, the reorganisation of the UK bank including related redundancies and closure of operations in Australia. Fixed costs decreased, while variable costs increased, reflecting a level of normalisation in line with improving revenue trends. The cost to income ratio (net of non-controlling interests) amounted to 80.9% (2020: 78.3%), impacted by slightly lower revenues and higher operating costs.

Group costs decreased by 49.6% to £18.3 million (2020: £36.3 million), positively impacted by the non-repeat of expenses associated with the exit of a marketing contract in the UK in the prior year.

The various components of operating costs are analysed below:

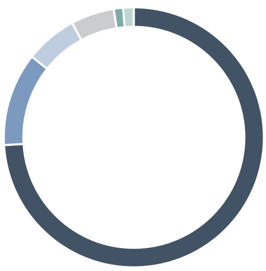
£'000	**31 March 2021**	**% of operating costs**	31 March 2020	% of operating costs	% change
Staff costs (including directors' remuneration)	567 567	74.0%	527 673	71.1%	7.6%
Premises expenses (including depreciation)	41 413	5.4%	40 225	5.4%	3.0%
Equipment expenses (excluding depreciation)	49 551	6.5%	48 096	6.5%	3.0%
Business expenses	88 954	11.6%	86 296	11.6%	3.1%
Marketing expenses	8 854	1.2%	28 781	3.9%	(69.2%)
Depreciation, amortisation and impairment of equipment and intangibles	10 028	1.3%	11 128	1.5%	(9.9%)
Operating costs	**766 367**	**100.0%**	**742 199**	**100.0%**	**3.3%**

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

£'000	**31 March 2021**	**% of operating costs**	31 March 2020	% of operating costs	% change
Wealth & Investment	245 175	32.0%	254 714	34.3%	(3.7%)
Private Banking	38 033	5.0%	43 482	5.9%	(12.5%)
Corporate, Investment Banking and Other	464 873	60.7%	407 715	54.9%	14.0%
Group costs	18 286	2.3%	36 288	4.9%	(49.6%)
Operating costs	**766 367**	**100.0%**	**742 199**	**100.0%**	**3.3%**

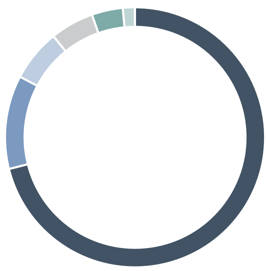
% of operating costs

31 March 2021
£766.4 million total operating costs



Staff costs	74.0%
Business expenses	11.6%
Equipment expenses (excluding depreciation)	6.5%
Premises expenses (including depreciation)	5.4%
Marketing expenses	1.2%
Depreciation, amortisation and impairment of equipment and intangibles	1.3%

31 March 2020
742.2 million total operating costs



Staff costs	71.1%
Business expenses	11.6%
Equipment expenses (excluding depreciation)	6.5%
Premises expenses (including depreciation)	5.4%
Marketing expenses	3.9%
Depreciation, amortisation and impairment of equipment and intangibles	1.5%

FINANCIAL REVIEW — CONTINUING OPERATIONS
CONTINUED

Adjusted operating profit
As a result of the foregoing factors, adjusted operating profit decreased by 15.2% from £129.4 million to £109.7 million.

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 in the prior year. Material actions included the closure of Click & Invest which formed part of the Wealth & Investment business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, and the closure and rundown of the Hong Kong direct investments business. In the current year, these strategic actions resulted in a gain of £7.4 million (2020: £89.3 million loss) (refer to page 195 for detailed breakdown).

Taxation on operating profit before acquired intangibles and strategic actions
The effective operational tax rate amounted to 24.7% (2020: (0.6%)), above the prior year largely due to the release of provisions associated with the settlement of a tax case in the prior year.

£'000	**2021**	2020	**31 March 2021 £'000**	31 March 2020 £'000	% change
Taxation on operating profit before acquired intangibles and strategic actions	24.7%	(0.6%)	(24 243)	706	>100%

Balance sheet analysis
Since 31 March 2020:

- Total equity increased by 4.9% to £2.5 billion (2020: £2.4 billion), as a result of the increase in retained income
- Total assets decreased by 0.1% to £24.8 billion (2020: £24.8 billion),as loan book growth was offset by central treasury-related balance sheet adjustments
- Total liabilities decreased by 0.6% to £22.3 billion (2020: £22.4 billion), with growth in customer accounts (deposits) offset by reductions in other liability funding channels

WEALTH & INVESTMENT

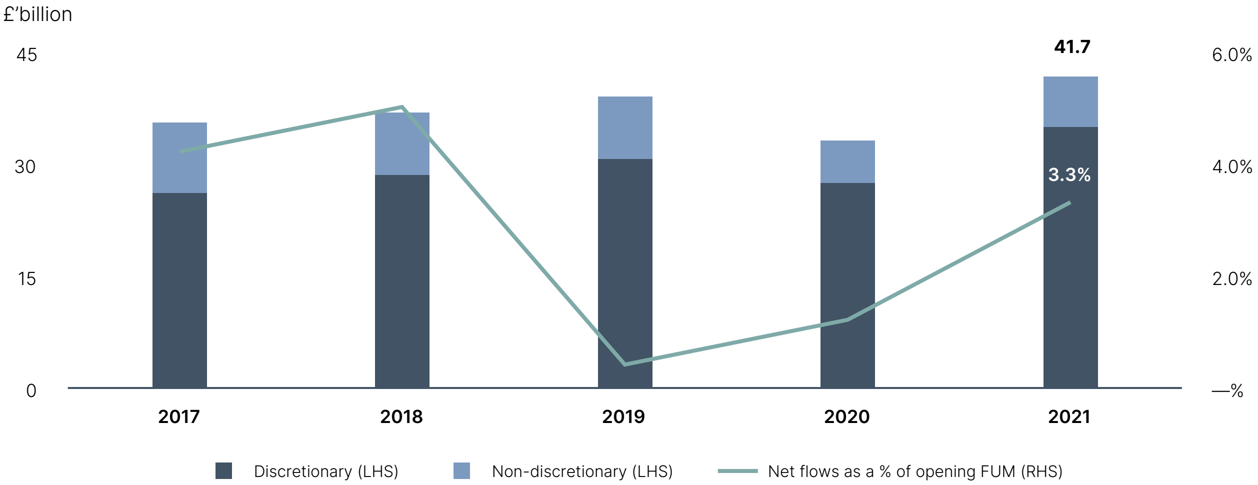
Business head
Ciaran Whelan

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

Performance highlights

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

Funds under management and net flows



Reasons for the variance in FUM since 31 March 2020:

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

Funds under management

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

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

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

Net inflows at cost over the year

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

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

WEALTH & INVESTMENT
CONTINUED

Income statement analysis and key income drivers

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

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

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

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

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

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

WEALTH & INVESTMENT
CONTINUED

Strategy execution:

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

Growth opportunities and outlook:

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

SPECIALIST BANKING OVERIVEW

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

Business head
Ruth Leas

Awards

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

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

Note: Specialist Banking no longer includes Group Investments which is now shown as a separate segmental division. The prior period has been restated to reflect the same basis.

Highlights

Adjusted operating profit
£44.8mn
(2020: £102.7mn)

Net core loans
£12.3bn
(2020: £11.9bn)

Cost to income ratio
81.3%
(2020: 71.7%)

Credit loss ratio
0.56%
(2020: 0.69%)

Diversified loan book by risk category: Core loans

£12.3 billion

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

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

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

PRIVATE BANKING

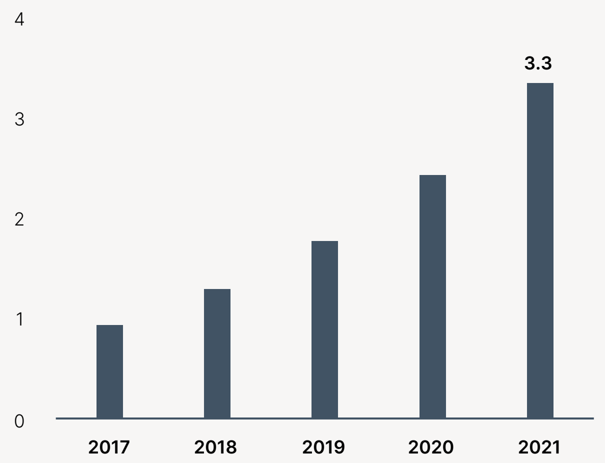
Our Private Banking business focuses on providing bespoke solutions underpinned by in-depth knowledge and understanding of our clients' aspirations and goals, supported by a broad private banking offering. We understand that every client is an individual, and that they are often active wealth creators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

Performance in the period under review

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

Loans and advances to customers

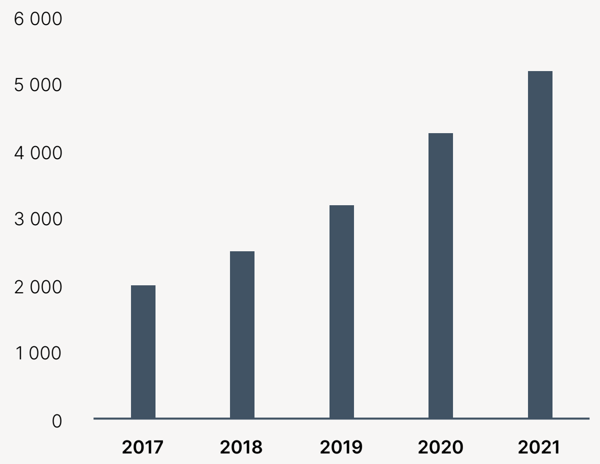
£'billion



Strong loan book growth:

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

HNW client acquisition



Continued success in client acquisition:

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

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

Strategy execution:

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

SPECIALIST BANKING OVERIVEW
CONTINUED

Income statement analysis and key income drivers

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

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

- The business reduced its adjusted operating loss by £15.9 million compared to the prior year. The net loss reduced to £3.0 million (2020: £18.9 million) as we scaled up and leveraged the investment in the business, bringing us closer to breaking even
- ECL impairment charges for the period increased to £1.5 million (2020: £0.6 million) as a result of loan book growth. The credit loss ratio on this book is c.5bps, indicative of the quality of the underlying franchise. Refer to page 70 for further information on the group's asset quality
- Operating costs decreased by £5.4 million or 12.5%, reflecting lower discretionary spending during the COVID-19 environment and heightened focus on cost control. The prior period also included higher investment spend related to scaling the business.

Growth opportunities and outlook:

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

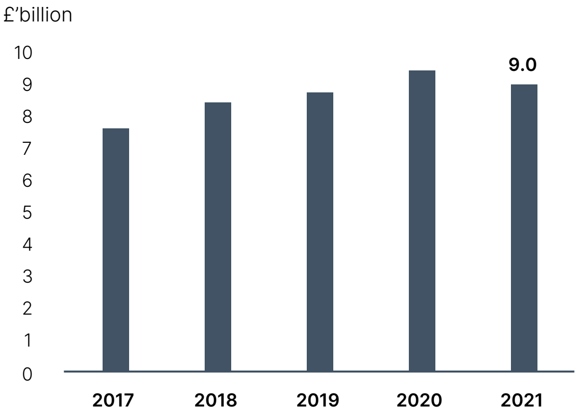
CORPORATE, INVESTMENT BANKING AND OTHER

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

Performance in the period under review

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

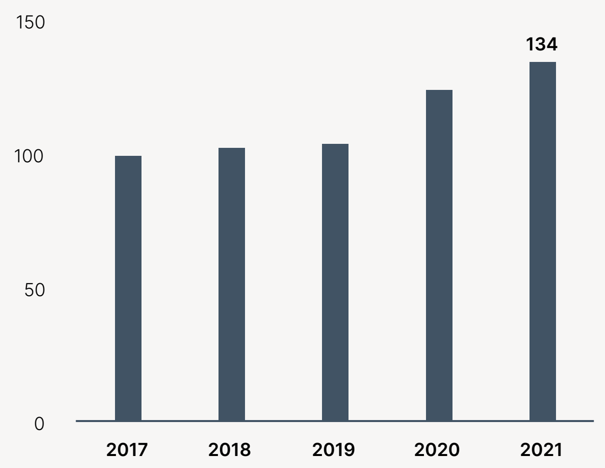
Loans and advances to customers



Subdued corporate lending activity:

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

Growth in listed corporate clients



Strong franchise for listed corporate clients:

- Top-ranked UK broker
- Differentiated by breadth of capabilities
- c.40% are multi-product Investec clients

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

Winner
Best Leasing and Asset Finance Provider

Best Business FX provider*

Winner
Corporate Broker of the Year**

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

Net increase in broking clients
+24
since 1 April 2020

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

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

£3.5bn
equity raised for clients since March 2020

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

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

Income statement analysis and key income drivers

£'000	31 March 2021	31 March 2020	Variance	% change
Net interest income	362 754	361 340	1 414	0.4%
Net fee and commission income	171 839	177 455	(5 616)	(3.2%)
Investment income	22 123	6 811	15 312	>100%
Share of post-taxation profit of associates and joint venture holdings	10 829	5 382	5 447	>100%
Trading income arising from				
– customer flow	(13 141)	48 685	(61 826)	(>100%)
– balance sheet management and other trading activities	11 258	(646)	11 904	(>100%)
Other operating income	15 831	6 283	9 548	>100%
Total operating income before expected credit loss impairment charges	**581 493**	**605 310**	**(23 817)**	**(3.9%)**
Expected credit loss impairment charges	(69 677)	(75 158)	5 481	(7.3%)
Operating income	**511 816**	**530 152**	**(18 336)**	**(3.5%)**
Operating costs	(464 873)	(407 715)	(57 158)	14.0%
Operating profit before goodwill, acquired intangibles and strategic actions	**46 943**	**122 437**	**(75 494)**	**(61.7%)**
Profit attributable to non-controlling interests	861	(864)	1 725	(>100%)
Adjusted operating profit	**47 804**	**121 573**	**(73 769)**	**(60.7%)**
Key income drivers				
Cost to income ratio	79.8%	67.5%		
Growth in loans and advances to customers	(4.8%)*	7.9%		

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

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

- Net interest income was slightly up, benefiting from a higher average loan book. This was offset by a lower net interest margin due to lower interest rates and assets repricing ahead of liabilities post rate cuts
- Despite strong equity capital markets fees, net fees and commission income decreased due to the non-repeat of significant deal fees in Aviation and Power and Infrastructure Finance in the prior period
- Investment income was significantly higher than the prior period, largely driven by: fair value gains on listed and unlisted equities, the profit on sale of the IAPF management company, and a gain of £13 million recognised from the formation of a joint venture with State Bank of India
- Trading income from customer flow was impacted by £93 million of risk management and risk reduction costs related to the structured products book (2020: £29 million). As guided in the Investec group's results announcement, we expect these costs to be approximately £30 million in FY2022
- Trading income from balance sheet management and other trading activities was up £11.9 million mainly due to improved asset values following the extreme COVID-19-related volatility in the fourth quarter of the prior year
- The increase in other operating income of £9.5 million primarily reflects the fair value movements of the Ninety One shares held in the group's staff share scheme as a result of the demerger and separate listing of Ninety One. The impact is reduced by a corresponding increase in personnel costs
- ECL impairment charges were £5.5 million lower than the prior period, mainly driven by the non-repeat of an ECL impairment charge related to a single name transaction impacted by the COVID-19 pandemic in the prior year. Refer to page 70 for further information on the group's asset quality
- The 14.0% increase in operating costs includes one-off costs associated with restructures implemented in the period and increased variable remuneration reflecting improved business momentum. Fixed costs were lower than the prior period, driven by reduced discretionary spend and continued focus on cost discipline.

CORPORATE, INVESTMENT BANKING AND OTHER
CONTINUED

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

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

GROUP INVESTMENTS

Group Investments is now shown as a separate segmental division. We have separated these assets from our core banking activities in order to make a more meaningful assessment of the underlying performance and value of the franchise businesses, and at the same time providing transparency of the standalone values of the assets classified as Group Investments.

In the UK, Group Investments comprises Investec plc's 16.3% investment in Ninety One (formerly Investec Asset Management). At an Investec plc level, the investment has been accounted for as an investment held at fair value through other comprehensive income (OCI). The market value of the 16.3% stake held by Investec plc was £358.0 million at 31 March 2021. This differs to the equity-accounted valuation of the investment in Ninety One plc at an Investec group level, which was £236.7 million at 31 March 2021.

Income statement analysis

£'000	31 March 2021	31 March 2020	Variance	% change
Investment income	8 853	—	8 853	100.0%
Total operating income before expected credit loss impairment charges	**8 853**	**—**	**8 853**	**100.0%**
Expected credit loss impairment charges	—	—	—	—
Operating costs	—	—	—	—
Operating income before goodwill, acquired intangibles and strategic actions	**8 853**	**—**	**8 853**	**100.0%**
Loss/(profit) attributable to other non-controlling interests	—	—	—	—
Adjusted operating profit	**8 853**	**—**	**8 853**	**100.0%**

Factors driving the performance in the period under review included:

- Investment income reflects the dividend received from the investment in Ninety One. No dividend income was received in the prior year, due to the timing of the investment.

03

Risk management and environmental, social and governance (ESG)

RISK MANAGEMENT

Overview of disclosure requirements
The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report on pages 66 to 115 with further disclosures provided within the annual financial statements section on pages 162 to 265.

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

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

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

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

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

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

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

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

IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook), in line with the prior year. IBP's long-term Fitch rating is BBB+ (negative outlook). The negative outlook is improved from a Rating Watch Negative assigned by Fitch in April 2020 as a result of the heightened risk from the global COVID-19 pandemic. Following review by Fitch, the Rating Watch was removed and the BBB+ rating affirmed reflecting Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn given IBP's sound underlying metrics.

The group's net core loan book increased by 3.9% to £12.3 billion. On 8 December 2020 the Investec group announced its exit from Australia to focus on building scale and relevance in its core market in the UK. The wind down of this business is underway and the sale of c.£400 million of the corporate lending portfolio took place in March 2021, which has substantially reduced the group's remaining exposure to this geography. Further exits are anticipated in the coming months and all remaining exposures will form part of the UK managed portfolio going forward upon closure of the Australian branch.

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

Credit exposures are focused on secured lending to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continued to favour lower risk, income-based lending, with exposures well collateralised and with credit risk taken over a short to medium term. Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a limited proportion of net core loans. The group's net core loan exposures remain well diversified with commercial rent producing property loans comprising approximately 9.3% of net core loans, other lending collateralised by property 7.5%, high net worth and other private client lending 32.9% and corporate and other lending 50.3% (with most industry concentrations well below 5%).

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

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

RISK MANAGEMENT
CONTINUED

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

Stage 2 exposures increased to £1.2 billion or 10.4% as a proportion of gross core loans subject to ECL at 31 March 2021 (31 March 2020: 5.1%), as a result of the worsened economic environment resulting in an increased proportion of the portfolio that has been subject to a significant increase in credit risk since origination. There are currently no significant underlying credit concerns related to this increase and we continue to monitor these Stage 2 exposures closely. We anticipate that an improvement in economic conditions and increased certainty with respect to the pandemic would result in a reduction in Stage 2 exposures.

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

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

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

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

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

Our investment portfolio exposure is in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises. The investment portfolio, per the balance sheet, amounted to £714 million.

Investec plc continues to retain a 16.3% shareholding in Ninety One (previously known as Investec Asset Management) as a strategic investment.

The group continued to maintain a sound balance sheet with a low gearing ratio of 9.9 times and a core loans to equity ratio of 4.9 times at 31 March 2021. The group's leverage ratio was 7.8% ahead of the minimum 6% target level.

We maintain an Investec group target Common Equity Tier 1 (CET 1) ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The group is on the standardised approach for capital. The CET 1 ratio was 11.0% at 31 March 2021 in excess of regulatory minimums and ahead of our Investec group target.

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

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

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

Customer accounts (deposits) totalled £16.1 billion at 31 March 2021 (31 March 2020: £15.3 billion). A new digital offering was successfully launched during the year with strong uptake from retail clients, which substantially reduces the operational cost of deposit raising for these products.

RISK MANAGEMENT
CONTINUED

Loans and advances to customers as a percentage of customer deposits remained conservative at 76.7%. The group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR reported to the PRA at 31 March 2021 was 440% for Investec plc and 475% for IBP (solo basis). The UK LCR ratios reported at 31 March 2021 were elevated by the sale of the Australian corporate loans. Excluding the sale the LCR for IBP (solo basis) would be 330%. The internally calculated NSFR was 129% for Investec plc and 126% for IBP (solo basis) at 31 March 2021. These may change over time with regulatory developments and guidance.

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

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

The 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'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 the group's material business activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the 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 the assessment of the impact of COVID-19 and negative interest rates.

The board, through its respective risk and capital committees, continued to assess the impact of its principal risks and the above mentioned stress scenarios on its business. The board has concluded that the 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.

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

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

SALIENT FEATURES

Salient features

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

	31 March 2021	31 March 2020**
Net core loans (£'million)	12 331	11 870
Total assets (£'million)	24 802	24 826
Total risk-weighted assets (£'million)	16 332	16 285
Total equity (£'million)	2 506	2 389
Cash and near cash (£'million)	6 857	6 040
Customer accounts (deposits) (£'million)	16 078	15 280
Loans and advances to customers as a % of customer deposits	76.7%	77.7%
Structured credit as a % of total assets	2.3%	2.1%
Banking book investment and equity risk exposures as a % of total assets	3.0%	1.4%
Traded market risk: 95% one-day value at risk (£'million)	0.5	1.5
Core loans to equity ratio	4.9x	5.0x
Total gearing ratio*	9.9x	10.4x
Return on average assets#	0.28%	0.78%
Return on average risk-weighted assets#	0.42%	1.17%
Stage 3 exposures as a % of gross core loans subject to ECL	2.8%	3.3%
of which Ongoing (excluding Legacy) Stage 3##	1.9%	2.2%
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.0%	2.4%
Credit loss ratio	0.56%	0.69%
Level 3 (fair value assets) as a % of total assets	6.6%	6.8%
Total capital ratio^	14.9%	14.9%
Tier 1 ratio^	12.7%	12.4%
Common Equity Tier 1 ratio^	11.0%	10.7%
Leverage ratio	7.8%	7.8%
Leverage ratio (fully loaded)	7.4%	7.4%

* Total assets to total equity.
^ As defined on page 111.
\# Average balances are calculated on a straight-line average.
\## Refer to definitions of page 267.
** Restated as detailed on page 256.

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

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

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

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

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

The levels of defence model is applied as follows:

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

Overall group 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 statements and frameworks for Investec plc and Investec Limited set out the board's mandated risk appetite. The risk appetite frameworks act as a guide to determine the acceptable risk profile of the group. The risk appetite statements ensure that limits/targets are applied and monitored across all key operating jurisdictions and legal entities.

The risk appetite frameworks are 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 frameworks are reviewed (in light of the above aspects) and approved by the board at least annually or as business needs dictate.

A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the board. In the section that follows, the group's high-level summary of overall risk tolerance and positioning has been detailed against the respective principal risks.

PRINCIPAL RISKS
CONTINUED

Credit and counterparty risk

Principal risk description	Risk management and key mitigating actions
Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group, arising when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet **Link to strategy** Capital discipline Growth initiatives	• Independent credit committees exist in the UK which also have oversight of regions where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures • There is a high level of executive involvement in decision-making with non-executive review and oversight • Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, small and medium-sized enterprises, financial institutions and sovereigns • Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term • Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets • Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Further information	Risk appetite and tolerance metric	Positioning at 31 March 2021
Read more on pages 66 to 86	We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to £120 million. We also have a number of risk tolerance limits and targets for specific asset classes.	We maintained this risk tolerance level throughout the year.
	We target a credit loss ratio of less than 0.5% (less than 1.75% under a weak economic environment/stressed scenario). We target Stage 3 net of ECL as a % of net core loans subject to ECL to be less than 2% (excluding the legacy portfolio; less than 4% under a weak economic environment/ stressed scenario). Investec plc targets Stage 3 net of ECL as a % of CET1 less than 25%.	We currently remain within all tolerance levels given the current weakened economic environment. The group credit loss ratio was calculated at 0.56% for 31 March 2021 (31 March 2020: 0.69%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.4% (excluding the Legacy portfolio). Stage 3 net of ECL as a % of CET1 is 12.9%.

PRINCIPAL RISKS
CONTINUED

Country risk

Principal risk description	Risk management and key mitigating actions	
Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments	• Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before • The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance • In certain cases, we may make use of political risk insurance to mitigate exposure where deemed necessary.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Growth initiatives **Further information** Read more on page 67	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.	We maintained this risk tolerance level in place throughout the year.

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

Principal risk description	Risk management and key mitigating actions	
The risk that our lending and investment activities give rise to unintended environmental (including climate change), social and economic consequences	• Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment, includes our many community activities and is based on a broader responsibility to our environment and society • Accordingly, sustainability risk considerations are considered by the relevant credit committee or investment committee when making lending or investment decisions • There is also oversight by the group ESG Executive Committee and the Social and Ethics Committee on general ESG issues, including climate-related impacts • The group ESG Executive Committee coordinates general ESG efforts, including climate-related risks and opportunities across geographies and businesses from both a strategy and policy perspective.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Growth initiatives Greater connectivity **Further information** Read more on pages 67 and 89 and refer to our 2021 group sustainability and ESG supplementary report on our website	We take a cautious approach with respect to industries that are known to damage the environment. We made our group fossil fuel policy public on 31 March 2020. Financial risk from climate change is a highly important topic which helps to inform decisions. We acknowledge that our approach is still work in progress and will continue to develop this over time.	We maintained this risk tolerance level in place throughout the year.

PRINCIPAL RISKS
CONTINUED

Investment risk

Principal risk description	Risk management and key mitigating actions
Investment risk in the banking book arises primarily from the group's investment (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 in the UK provide oversight of regions where we assume investment risk • Risk appetite limits and targets are set to limit our exposure to equity and investment risk • As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline Growth initiatives **Further information** Read more on page 90	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 £346 million, representing 19.3% of CET1.

Market risk in the trading book

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

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 92 to 95	Market risk arises through our trading activities primarily focused on supporting client activity. Appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £5 million. Additionally, we have reduced stress scenario loss limits as a result of the effects of the extreme market volatility experienced in March 2020 on the structured products book.	We met these internal limits; one-day 95% VaR was £0.5 million at 31 March 2021.

PRINCIPAL RISKS
CONTINUED

Liquidity risk

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

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 96 to 103	We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%.	Total cash and near cash balances amounted to £6.9 billion at year end representing 42.6% of customer deposits.

Non-trading interest rate risk

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

Link to strategy	Risk appetite and tolerance metric	Positioning at 31 March 2021
Capital discipline **Further information** Read more on pages 100 to 103	A movement in rates can result in a negative impact on revenues across the banking industry. This risk is managed within the group's risk appetite framework as a proportion of capital in order to limit volatility.	Investec plc is within these tolerance metrics. We have undertaken analysis detailing the potential impact of negative rates. Firm wide review of systems and processes concluded that Investec is broadly equipped to manage negative interest rates from an operational perspective.

PRINCIPAL RISKS
CONTINUED

Capital risk

Principal risk description	Risk management and key mitigating actions	
The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the group	• Investec plc'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 • A detailed assessment of the regulatory and internal capital position is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed and approved by Investec plc and DLC Capital Committees, DLC BRCC and the board • The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group • At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns • Our internal capital framework is designed to manage and achieve this balance • The framework has been approved by the board and is managed by the Investec plc Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Capital discipline	We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6% .	The leverage ratio is 7.8%.
Further information Read more on pages 111 to 115	We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%.	Investec plc met all these targets. Capital has grown over the period.

Business risk

Principal risk description	Risk management and key mitigating actions	
Business risk relates to external market factors that can create income volatility	• The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base • 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.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Improved cost management Growth initiatives Greater connectivity	We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions.	For our continuing operations, capital light activities contributed 53.3% to total operating income and balance sheet driven activities contributed 46.7%.
Further information Read more on pages 8 to 18 and pages 34 to 49	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 72.3% of total operating income.
	We seek to maintain strict control over fixed costs. For the 2021 financial year the group had a cost to income ratio target of below 70%*.	The cost to income ratio amounted to 80.9%*.

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

PRINCIPAL RISKS
CONTINUED

Reputational and strategic risk

Principal risk description	Risk management and key mitigating actions	
Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated	• We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced • Strategic and reputational risk is mitigated as much as possible through detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders • The group has a disclosure and public communications policy which is reviewed annually by the board.	
Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Greater connectivity **Further information** Read more on page 108	We have a number of policies and practices in place to mitigate reputational risks.	We have continued to mitigate these risks where possible throughout the year.

Operational risk

Principal risk description	Risk management and key mitigating actions	

Operational risk is defined as the potential or actual impact to the 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	• 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 a three levels of defence model which reinforces accountability by allocating clear roles and responsibilities and first line ownership
	• There are operational risk sub-types which are significant in nature and are managed by dedicated specialist teams within the group. These operational risk sub-types have individual detailed risk policies and procedures, but are included within the operational risk management framework and are reported and monitored within the operational risk appetite tolerance. These sub-types include:
	  • Business disruption and operational resilience
	  • Conduct risk
	  • Cyber risk
	  • Data risk
	  • Financial crime risk
	  • Fraud risk
	  • Model risk
	  • Physical security and safety risk
	  • Process failure risk
	  • Regulatory compliance risk
	  • Tax risk
	  • Technology risk
	  • Third party risk.	

Link to strategy	**Risk appetite and tolerance metric**	**Positioning at 31 March 2021**
Digitalisation Greater connectivity **Further information** Read more on pages 104 to 107	We maintain sound operational risk practices to identify and manage operational risk. We monitor the level of acceptable operational risk exposure/loss through qualitative and quantitative measures.	We maintained operational risk losses within risk tolerance levels throughout the year.

PRINCIPAL RISKS
CONTINUED

Conduct risk

Principal risk description	Risk management and key mitigating actions
Conduct risk is the risk that inappropriate behaviours or business activities may lead to client, counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, or reputational and/or financial damage to the group **Link to strategy** Greater connectivity **Further information** Read more on pages 104 to 107 and page 109	• Our approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates with integrity and puts the wellbeing of its clients at the heart of how the business is run • Products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action • Investec's conduct risk policy aims to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework • The Customer and Market Conduct Committee has the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.

Cyber risk

Principal risk description	Risk management and key mitigating actions
Risk associated with cyber-attacks which can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm **Link to strategy** Digitalisation Greater connectivity **Further information** Read more on pages 104 to 107	• Investec manages cyber risk through robust controls that are in place and regularly validated • The group has a risk-based cyber strategy integrating prediction, prevention, detection and response • Investec maintains security architecture, which is continually enhanced using advanced technology • There are cyber controls which are regularly stress tested by internal teams and external specialists • Coordinated security incident response and crisis management processes are in place • Ongoing security training takes place to ensure high levels of staff awareness and vigilance • Investec has cyber insurance cover which includes incident response management, third party liability (including data protection, transmission liabilities, intellectual property infringement, impaired client access), income loss from business disruption and cover for expenses incurred.

PRINCIPAL RISKS
CONTINUED

Financial crime risk

Principal risk description	Risk management and key mitigating actions

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

Link to strategy Digitalisation Greater connectivity	
Further information Read more on pages 104 to 107	

Legal risk

Principal risk description	Risk management and key mitigating actions
Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction	• A Legal Risk Forum ensures we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice • There is a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate • The group maintains adequate insurance to cover key insurable risks • This is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary.
Link to strategy Greater connectivity	
Further information Read more on page 108	

PRINCIPAL RISKS
CONTINUED

Business disruption and operational resilience

Principal risk description	Risk management and key mitigating actions
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes **Link to strategy** Growth initiatives Digitalisation Greater connectivity **Further information** Read more on pages 104 to 107	• Resilience strategies are continuously monitored and enhanced, including relocating impacted businesses to alternate processing sites where appropriate as well as working from home strategies; in addition to leveraging high availability technology solutions • Implementation and execution of crisis management and crisis communication processes at group as well as business unit level • Work is underway to analyse new regulatory operational resilience requirements to ensure existing strategies are further enhanced and aligned to regulatory expectations.

People risk

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

Regulatory compliance risk

Principal risk description	Risk management and key mitigating actions
The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the group's operations, business prospects, costs, liquidity and capital requirements **Link to strategy** Greater connectivity **Further information** Read more on pages 104 to 109	• Investec remains focused on achieving the highest levels of compliance to professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our stakeholders remain at the forefront of everything we do • There are independent compliance, legal and risk management functions 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.

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

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations. Emerging and other risks as factored into the board's viability assessment. Read more on page 156

RISK MANAGEMENT APPROACH AND FRAMEWORK

Investec's philosophy and approach to risk management

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

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

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

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

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. We continually seek new ways to enhance risk management techniques.

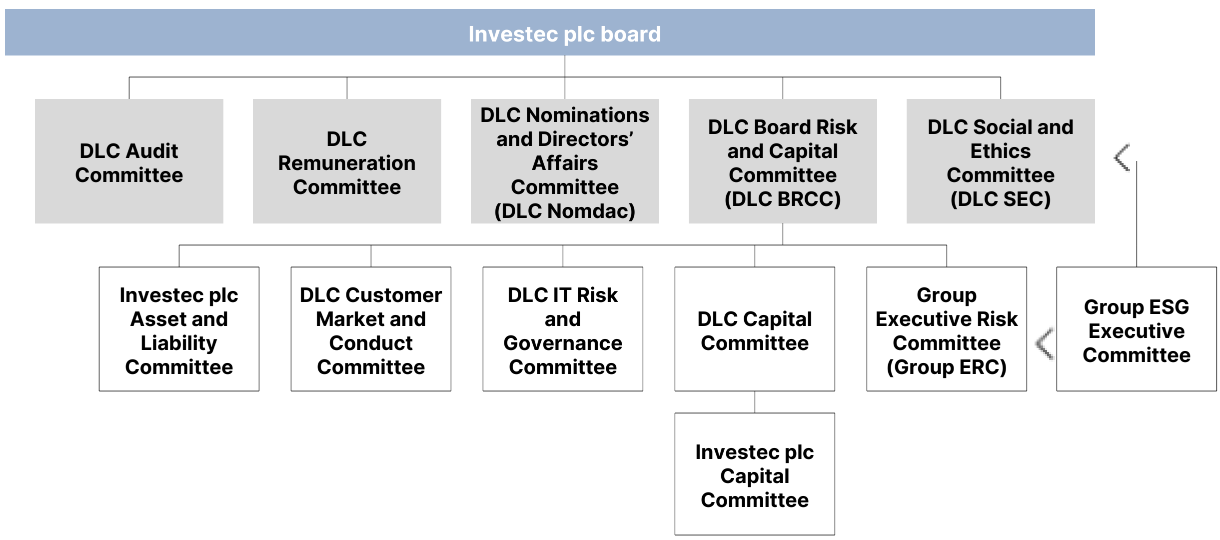
We believe that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite tolerance.

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 and with appropriate expertise and facilitate operating independence
- Run appropriate risk committees, as mandated by the board
- Maintain compliance in relation to regulatory requirements.

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, the IBP board and 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 arises primarily from three types of transactions:

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

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

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

Credit and counterparty risk governance structure

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

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

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

Credit committees and the processes above have incorporated considerations and decisions with respect to the COVID-19 pandemic and resulting relief measures, staging and ECL in line with the 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 respective boards. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, with remedial actions agreed.

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

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

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

Interbank lending is largely reserved for those banks and institutions in the 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 RISK MANAGEMENT
CONTINUED

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

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level 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 a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the group's main operating geography. 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 OECD standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties where deemed necessary and where considered economic.

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

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

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

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

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

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

Stress testing and portfolio management
The Investec 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. 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 MANAGEMENT
CONTINUED

Management and measurement of credit and counterparty risk

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

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

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

A large proportion of the 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 the DLC BRCC and IBP BRCC. The board reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

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

Credit and counterparty risk – nature of activities

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

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 70 to 76
- **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 mainly 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 portfolios consist of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK residential mortgages or European or US corporate leverage loans. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt securities:** from time to time we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise on the back of client relationships or knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken on recognised exchanges, with large institutional clients, monitored daily, with trades usually settled within two to three days.

CREDIT RISK MANAGEMENT
CONTINUED

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the 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. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

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

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

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

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

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

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

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

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

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

The 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 2021 amounts to £1.8 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£0.2 million and total protection sold amounts to £2.0 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 219

The group implements 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.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

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

Net core loans increased by £461 million since 31 March 2020 to £12.3 billion. Loan growth has predominantly been driven by the residential mortgage portfolio and other high net worth lending as we gained good traction in our Private Banking strategy.

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

Stage 2 exposures increased from 5.1% of gross core loans subject to ECL at 31 March 2020 to 10.4% at 31 March 2021, being driven largely by a deterioration in the macro-economic scenarios and a change in weightings as a result of the COVID-19 pandemic. Overall coverage for Stage 2 remained flat at 3.4% in line with 30 September 2020 (5.4% at 31 March 2020). Reduction in coverage since 31 March 2020 is predominantly as a result of a significant proportion of Stage 2 being from lower risk exposures, transferring from Stage 1 to Stage 2 based on the deteriorating forward-looking view on their credit performance under current macro-economic expectations rather than specific credit concerns.

£'million	31 March 2021	31 March 2020
Gross core loans	**12 501**	**12 045**
Gross core loans at FVPL	512	653
Gross core loans subject to ECL*	**11 989**	**11 392**
Stage 1	10 415	10 437
Stage 2	1 242	576
of which past due greater than 30 days	90	31
Stage 3	332	379
of which Ongoing (excluding Legacy) Stage 3*	231	249
ECL	**(170)**	**(175)**
Stage 1	(27)	(37)
Stage 2	(42)	(31)
Stage 3	(101)	(107)
of which Ongoing (excluding Legacy) Stage 3*	(62)	(62)
Coverage ratio		
Stage 1	0.26%	0.35%
Stage 2	3.4%	5.4%
Stage 3	30.4%	28.2%
of which Ongoing (excluding Legacy) Stage 3*	26.8%	24.9%
Credit loss ratio	**0.56%**	**0.69%**
ECL impairment charges on core loans	(65)	(74)
Average gross core loans subject to ECL	11 691	10 642
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	231	272
of which Ongoing (excluding Legacy) Stage 3*	169	187
Aggregate collateral and other credit enhancements on Stage 3	235	274
Stage 3 as a % of gross core loans subject to ECL	2.8%	3.3%
of which Ongoing (excluding Legacy) Stage 3*	1.9%	2.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.0%	2.4%
of which Ongoing (excluding Legacy) Stage 3*	1.4%	1.7%

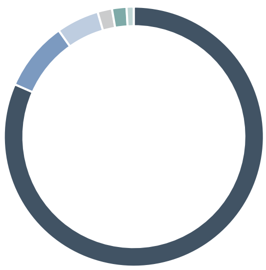
* Refer to definitions on page 267. Our exposure (net of ECL) to the UK Legacy portfolio has reduced from £111 million at 31 March 2020 to £84 million at 31 March 2021. These assets are substantially impaired and are largely reported under Stage 3.

ASSET QUALITY
CONTINUED

An analysis of gross core loans by country of exposure

31 March 2021

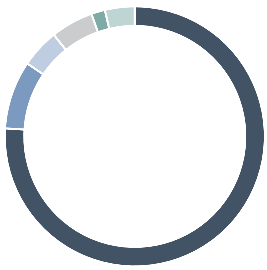
£12 501 million



United Kingdom	81.6%
Europe (excluding UK)	8.6%
North America	5.3%
Australia	1.8%
Asia	1.8%
Other	0.9%

31 March 2020

£12 045 million



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

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

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

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

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

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2019	**8 996**	**(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)**
Transfer from Stage 1	(1 019)	4	991	(4)	28	—	—	—
Transfer from Stage 2	120	(2)	(220)	6	100	(4)	—	—
Transfer from Stage 3	—	—	8	—	(8)	—	—	—
ECL remeasurement arising from transfer of stage	—	2	—	(10)	—	(18)	—	(26)
New lending net of repayments (includes assets written off)	944	(9)	(86)	3	(162)	26	696	20
Changes to risk parameters and models	—	15	—	(6)	—	—	—	9
Foreign exchange and other	(67)	—	(27)	—	(5)	2	(99)	2
At 31 March 2021	**10 415**	**(27)**	**1 242**	**(42)**	**332**	**(101)**	**11 989**	**(170)**

ASSET QUALITY
CONTINUED

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 PDs and can also be mapped to external rating agency scales.

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

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

At 31 March 2021 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans subject to ECL	**6 607**	**4 871**	**179**	**332**	**11 989**
Stage 1	6 447	3 907	61	—	10 415
Stage 2	160	964	118	—	1 242
Stage 3	—	—	—	332	332
ECL	**(4)**	**(53)**	**(12)**	**(101)**	**(170)**
Stage 1	(3)	(23)	(1)	—	(27)
Stage 2	(1)	(30)	(11)	—	(42)
Stage 3	—	—	—	(101)	(101)
Coverage ratio	**0.1%**	**1.1%**	**6.7%**	**30.4%**	**1.4%**

At 31 March 2020 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans subject to ECL	**5 788**	**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%**

ASSET QUALITY
CONTINUED

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

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

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

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

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

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

ASSET QUALITY
CONTINUED

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

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

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

Credit risk arises from the following activities:

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

Year in review

High net worth and other private client lending increased by 29.8% year-on-year, driven by strong targeted growth in mortgages for the 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 criteria. Weighted average LTVs on mortgages remain conservative at 60%.

	Gross core loans at amortised cost and FVOCI								**Gross core loans at FVPL**	**Gross core loans**
	Stage 1		**Stage 2**		**Stage 3**		**Total**			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Mortgages	3 103	(1)	74	—	16	(2)	3 193	(3)	—	3 193
High net worth and specialised lending	832	(1)	31	(1)	2	(1)	865	(3)	7	872
Total high net worth and other private client lending	**3 935**	**(2)**	**105**	**(1)**	**18**	**(3)**	**4 058**	**(6)**	**7**	**4 065**
Coverage ratio		**0.05%**		**1.0%**		**16.7%**		**0.1%**		
At 31 March 2020										
Mortgages	2 438	(2)	19	—	28	(1)	2 485	(3)	—	2 485
High net worth and specialised lending	620	—	11	(1)	4	(3)	635	(4)	14	649
Total high net worth and other private client lending	**3 058**	**(2)**	**30**	**(1)**	**32**	**(4)**	**3 120**	**(7)**	**14**	**3 134**
Coverage ratio		**0.07%**		**3.3%**		**12.5%**		**0.2%**		

ASSET QUALITY
CONTINUED

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

We focus on traditional client-driven corporate lending activities. The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where deemed appropriate.
The 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 and North America 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 a fund entity and secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with regard to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Motor finance:** provides specialised motor vehicle financing originated through Mann Island Finance Limited (MIVF). The portfolio is composed predominantly of private motor vehicles to individuals attributing to a granular book with low concentration risk
- **Large ticket asset finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor
- **Resource finance:** arranges debt and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in the UK, Canada or Australia. All facilities are secured by the borrower's assets and repaid from mining cash flows.

Year in review

Corporate and other lending decreased by 8.7% from £6.8 billion at 31 March 2020 to £6.2 billion at 31 March 2021. This has been impacted by the wind down of the Australia business, including the sale of c.£400 million of the corporate lending portfolio in March 2021, which has substantially reduced our remaining exposure to this geography. Excluding the impact of the exit from Australia, the ongoing portfolio reduced by 2.3% in the year to 31 March 2021. Activity in the second half of the year increased across several asset classes and industries including Motor finance, Power and infrastructure finance, Corporate and acquisition finance as well as Fund finance. This has been offset by redemptions particularly in the first half of the year. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets. We continue to monitor performance closely as a result of the COVID-19 pandemic, in particular in the subsectors most affected to date which includes the aviation portfolio, due to the temporary shutdown of this industry, and small ticket asset finance due to the nature of the underlying borrower. The government measures and support that have been in place over the year to 31 March 2021 have provided direct support to the clients within these sectors as well as in other areas of corporate and other lending.

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

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

ASSET QUALITY
CONTINUED

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	206	(2)	119	(3)	—	—	325	(5)	14	339
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	452	(2)	113	(2)	9	(3)	574	(7)	144	718
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	135	2 004
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Large ticket asset finance	—	—	—	—	23	(18)	23	(18)	135	158
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	**4 740**	**(25)**	**991**	**(37)**	**104**	**(44)**	**5 835**	**(106)**	**475**	**6 310**
Coverage ratio		**0.53%**		**3.7%**		**42.3%**		**1.8%**		
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	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	1 246	(10)	99	(6)	25	(14)	1 370	(30)	—	1 370
Motor finance	332	(1)	44	(1)	3	(1)	379	(3)	—	379
Large ticket asset finance	25	—	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	—	77	(3)	8	—	424	(3)	80	504
Resource finance	51	—	—	—	—	—	51	—	—	51
Total corporate and other lending	**5 789**	**(34)**	**429**	**(18)**	**114**	**(52)**	**6 332**	**(104)**	**567**	**6 899**
Coverage ratio		**0.59%**		**4.2%**		**45.6%**		**1.6%**		

ASSET QUALITY
CONTINUED

An analysis of COVID-19 relief measures and vulnerable sectors

Government schemes

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

An analysis of COVID-19 relief measures

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

	31 March 2021		
£'million	**Total gross core loans**	**Exposure with active COVID-19 relief**	**COVID-19 relief as a % of gross core loans by category**
Lending collateralised by property	2 126	42	2.0%
High net worth and other private client lending	4 065	51	1.3%
Corporate and other lending	6 310	249	3.9%
Total	**12 501**	**342**	**2.7%**

An analysis of COVID-19 vulnerable sectors

	31 March 2021					31 March 2020				
£'million	**Stage 1**	**Stage 2**	**Stage 3**	**FVPL**	**Total gross core loans**	Stage 1	Stage 2	Stage 3	FVPL	**Total gross core loans**
Aviation	30	95	6	262	393	142	—	—	341	483
Transport (excluding aviation)	29	99	31	—	159	153	26	25	1	205
Retail, hotel and leisure properties^	109	14	66	11	200	82	13	64	27	186
Leisure, entertainment and tourism	22	27	—	—	49	103	—	—	—	103
Retailers	55	7	8	—	70	60	41	—	5	106
Vulnerable sectors within small ticket asset finance*	265	50	11	—	326	609	61	12	—	682
Total	**510**	**292**	**122**	**273**	**1 197**	1 149	141	101	374	**1 765**
Coverage ratio	**0.59%**	**3.1%**	**33.6%**	—	**4.4%**	0.52%	3.5%	26.7%	—	**2.2%**

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

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

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

An analysis of gross credit and counterparty exposures

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

An analysis of gross credit and counterparty exposures

£'million	31 March 2021	31 March 2020*
Cash and balances at central banks	3 043	2 277
Loans and advances to banks	1 385	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	2 459
Sovereign debt securities	1 108	1 085
Bank debt securities	48	51
Other debt securities	672	649
Derivative financial instruments	730	1 006
Securities arising from trading activities	28	172
Loans and advances to customers	12 501	12 045
Other loans and advances	93	122
Other securitised assets	6	8
Other assets	451	92
Total on-balance sheet exposures	**22 130**	**21 760**
Guarantees	145	77
Committed facilities related to loans and advances to customers	1 805	1 318
Contingent liabilities, letters of credit and other	253	270
Total off-balance sheet exposures	**2 203**	**1 665**
Total gross credit and counterparty exposures	**24 333**	**23 425**

* Restated as detailed on page 256.

CREDIT AND COUNTERPARTY RISK
CONTINUED

A further analysis of gross credit and counterparty exposures

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

At 31 March 2021 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	3 043	—	3 043	—	—	3 043
Loans and advances to banks	1 385	—	1 385	—	—	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	2 065	675	1 390	—	—	2 065
Sovereign debt securities	1 108	37	1 071	—	—	1 108
Bank debt securities	48	—	48	—	—	48
Other debt securities	672	205	467	(1)	28	699
Derivative financial instruments	730	730	—	—	43	773
Securities arising from trading activities	28	28	—	—	254	282
Investment portfolio	—	—	—	—	714*	714
Loans and advances to customers	12 501	512	11 989	(170)	—	12 331
Other loans and advances	93	—	93	—	31	124
Other securitised assets	6	6	—	—	101^	107
Interest in associated undertakings and joint venture holdings	—	—	—	—	59	59
Deferred taxation assets	—	—	—	—	111	111
Other assets	451	—	451	—	1 000**	1 451
Property and equipment	—	—	—	—	186	186
Goodwill	—	—	—	—	250	250
Other acquired intangible assets	—	—	—	—	53	53
Software	—	—	—	—	8	8
Total on-balance sheet exposures	**22 130**	**2 193**	**19 937**	**(171)**	**2 838**	**24 797**
Guarantees	145	—	145	—	—	145
Committed facilities related to loans and advances to customers	1 805	83	1 722	(9)	—	1 796
Contingent liabilities, letters of credit and other	253	—	253	—	213	466
Total off-balance sheet exposures	**2 203**	**83**	**2 120**	**(9)**	**213**	**2 407**
Total exposures	**24 333**	**2 276**	**22 057**	**(180)**	**3 051**	**27 204**

Includes £5.2 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.
* Relates to exposures that are classified as investment risk in the banking book.
^ While the 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.

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2020 **£'million**	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	**Total assets##**
Cash and balances at central banks	2 277	—	2 277	—	—	2 277
Loans and advances to banks	1 794	—	1 794	—	—	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	2 459	916	1 543	—	—	2 459
Sovereign debt securities	1 085	—	1 085	—	—	1 085
Bank debt securities	51	51	—	—	—	51
Other debt securities	649	217	432	(1)	38	686
Derivative financial instruments	1 006	1 006	—	—	245	1 251
Securities arising from trading activities	172	172	—	—	85	257
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
Goodwill	—	—	—	—	261	261
Intangible assets	—	—	—	—	72	72
Total on-balance sheet exposures	**21 760**	**3 023**	**18 737**	**(176)**	**3 240**	**24 824**
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	**23 425**	**3 071**	**20 354**	**(180)**	**3 479**	**26 724**

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

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

^ While the 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.

Restated as detailed on page 256.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2021 **£'million**	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	**Total**
Cash and balances at central banks	3 043	—	—	—	—	—	3 043
Loans and advances to banks	1 324	—	39	22	—	—	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	1 116	158	55	102	59	575	2 065
Sovereign debt securities	389	214	237	200	34	34	1 108
Bank debt securities	4	—	11	11	22	—	48
Other debt securities	55	9	10	52	172	374	672
Derivative financial instruments	162	94	125	221	94	34	730
Securities arising from trading activities	9	—	3	10	1	5	28
Loans and advances to customers	930	779	1 278	6 995	1 612	907	12 501
Other loans and advances	5	—	—	12	58	18	93
Other securitised assets	—	—	—	—	—	6	6
Other assets	451	—	—	—	—	—	451
Total on-balance sheet exposures	**7 488**	**1 254**	**1 758**	**7 625**	**2 052**	**1 953**	**22 130**
Guarantees	101	2	1	41	—	—	145
Committed facilities related to loans and advances to customers	83	46	143	1 079	430	24	1 805
Contingent liabilities, letters of credit and other	7	8	24	176	38	—	253
Total off-balance sheet exposures	**191**	**56**	**168**	**1 296**	**468**	**24**	**2 203**
Total gross credit and counterparty exposures	**7 679**	**1 310**	**1 926**	**8 921**	**2 520**	**1 977**	**24 333**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2021 **£'million**	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	—	—	—	—	3 043	—	—
Loans and advances to banks	—	—	—	—	—	—	1 385
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	634	—	1 431
Sovereign debt securities	—	—	—	—	1 062	—	46
Bank debt securities	—	—	—	—	—	—	48
Other debt securities	—	—	—	22	6	17	312
Derivative financial instruments	—	5	2	88	6	22	458
Securities arising from trading activities	—	—	—	—	15	2	9
Loans and advances to customers	4 065	2 126	14	648	272	1 048	1 306
Other loans and advances	—	—	—	—	—	—	75
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	9	—	—	441
Total on-balance sheet exposures	**4 065**	**2 131**	**16**	**767**	**5 038**	**1 089**	**5 511**
Guarantees	8	—	—	10	—	—	118
Committed facilities related to loans and advances to customers	147	351	—	290	37	160	474
Contingent liabilities, letters of credit and other	18	—	—	124	—	—	103
Total off-balance sheet exposures	**173**	**351**	**—**	**424**	**37**	**160**	**695**
Total gross credit and counterparty exposures	**4 238**	**2 482**	**16**	**1 191**	**5 075**	**1 249**	**6 206**

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	—	3 043
—	—	—	—	—	—	—	—	—	—	1 385
—	—	—	—	—	—	—	—	—	—	2 065
—	—	—	—	—	—	—	—	—	—	1 108
—	—	—	—	—	—	—	—	—	—	48
—	—	—	238	—	—	—	69	—	8	672
34	26	2	—	6	23	—	56	—	2	730
—	—	—	2	—	—	—	—	—	—	28
233	769	94	—	95	156	98	754	555	268	12 501
—	—	—	18	—	—	—	—	—	—	93
—	—	—	6	—	—	—	—	—	—	6
—	1	—	—	—	—	—	—	—	—	451
267	**796**	**96**	**264**	**101**	**179**	**98**	**879**	**555**	**278**	**22 130**
2	—	—	—	1	—	—	6	—	—	145
14	114	—	—	4	75	—	21	—	118	1 805
1	1	—	—	—	6	—	—	—	—	253
17	**115**	**—**	**—**	**5**	**81**	**—**	**27**	**—**	**118**	**2 203**
284	**911**	**96**	**264**	**106**	**260**	**98**	**906**	**555**	**396**	**24 333**

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2020 **£'million**	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	—	—	—	—	2 277	—	—
Loans and advances to banks	—	—	—	—	—	—	1 794
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	832	—	1 627
Sovereign debt securities	—	—	—	—	1 085	—	—
Bank debt securities	—	—	—	—	—	—	51
Other debt securities	—	—	—	44	7	8	334
Derivative financial instruments	1	6	—	120	2	16	542
Securities arising from trading activities	—	—	—	—	46	—	122
Loans and advances to customers	3 134	2 012	8	452	212	1 107	1 780
Other loans and advances	—	—	—	—	—	—	99
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	92
Total on-balance sheet exposures	**3 135**	**2 018**	**8**	**616**	**4 461**	**1 131**	**6 441**
Guarantees	15	—	—	1	—	—	53
Committed facilities related to loans and advances to customers	112	346	—	190	36	142	253
Contingent liabilities, letters of credit and other	18	—	—	182	—	4	49
Total off-balance sheet exposures	**145**	**346**	**—**	**373**	**36**	**146**	**355**
Total gross credit and counterparty exposures	**3 280**	**2 364**	**8**	**989**	**4 497**	**1 277**	**6 796**

* Restated as detailed on page 256.

CREDIT AND COUNTERPARTY RISK
CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total***
—	—	—	—	—	—	—	—	—	—	2 277
—	—	—	—	—	—	—	—	—	—	1 794
—	—	—	—	—	—	—	—	—	—	2 459
—	—	—	—	—	—	—	—	—	—	1 085
—	—	—	—	—	—	—	—	—	—	51
—	—	—	163	—	—	—	85	—	8	649
23	26	1	—	12	50	—	205	—	2	1 006
4	—	—	—	—	—	—	—	—	—	172
313	866	100	—	141	237	189	887	379	228	12 045
—	—	—	23	—	—	—	—	—	—	122
—	—	—	8	—	—	—	—	—	—	8
—	—	—	—	—	—	—	—	—	—	92
340	**892**	**101**	**194**	**153**	**287**	**189**	**1 177**	**379**	**238**	**21 760**
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**
369	**927**	**107**	**194**	**195**	**391**	**189**	**1 204**	**379**	**259**	**23 425**

ADDITIONAL POLICY INFORMATION

Additional credit and counterparty risk information

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.

For further detail on our credit risk classification and provision policy please refer to pages 176 and 177

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 72

Key judgements

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

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

For further detail on our process for determining ECL please refer to page 177

Key judgements at 31 March 2021

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

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

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

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

MACRO-ECONOMICS

Forward-looking macro-economic scenarios

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

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

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

As at 31 March 2021 the base case was updated to represent the latest economic outlook that reflected the forecasted recovery from the COVID-19 pandemic. At 31 March 2020 the downside scenarios consisted of a global asset price shock and one depicting economic stagnation. These were replaced at 30 September 2020 to better reflect the balance of risks, with an L-shape scenario and a No-FTA Brexit scenario. At 31 March 2021, the L-shape scenario remained, but was updated to reflect the latest economic data. However, given the UK-EU trade deal, the No-FTA Brexit scenario was replaced with a Fiscal crisis scenario.

In addition to a reassessment of the macro-economic scenarios, a review of the weightings also took place to take into account the latest economic developments and the changes to the scenarios. On this basis, the weightings stood at 10% upside, 55% base case, 30% L-shape and 5% Fiscal crisis. On balance, the skew of risks remained to the downside.

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

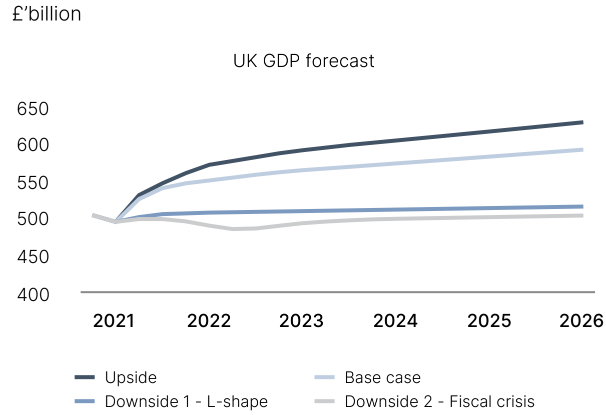
Downside 1 - L-shape assumes a weaker than expected recovery from the COVID-19 pandemic and a degree of permanent economic scarring, contributing to a period of protracted economic stagnation. In the UK this is embodied in a GDP growth averaging 0.1% a quarter. Further, the BoE is expected to introduce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

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

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

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

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



MACRO-ECONOMICS
CONTINUED

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

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

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

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

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

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

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

Climate risk and opportunities

Our position on climate change

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

Our approach to net-zero

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

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

Climate-related financial disclosures (TCFD)

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

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

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

INVESTMENT RISK

Investment risk in the banking book
Investment risk in the banking book comprises 3.0% of total assets at 31 March 2021. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the group.

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

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

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

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

Investec has a 16.3% shareholding in Ninety One (previously known as Investec Asset Management).

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 and provide oversight of the regions where we assume investment risk.

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets as well as stress testing scenario analyses are performed and reported to IBP and DLC BRCCs.

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 175 to 180 and pages 202 to 213 for factors taken into consideration in determining fair value.

An analysis of income and revaluations of these investments can be found in the investment income note on page 186

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

Refer to page 114 for further detail

Summary of investments held and stress testing analyses

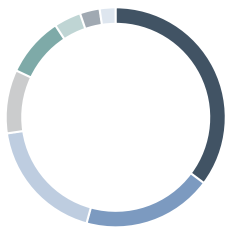
£'million Category	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments	346	52	348	52
Listed equities	10	3	28	7
Ninety One	358	n/a	259	n/a
Total investment portfolio	**714**	**55**	**635**	**59**
Trading properties	25	5	36	7
Warrants and profit shares	5	2	2	1
Total	**744**	**62**	**673**	**67**

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

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

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

31 March 2021
£361 million



Finance and insurance	35.2%
Manufacturing and commerce	19.1%
Real estate	18.4%
Retailers and wholesalers	9.3%
Communication	8.8%
Other	4.0%
Business services	2.9%
Transport	2.3%

Stress testing summary
Based on the information at 31 March 2021, as reflected above, we could have a £62 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. Stress testing is not considered to be relevant for the group's holding in Ninety One. This investment is accounted for at fair value through other comprehensive income and any share price movement is likely to have a limited impact on the group's capital given the regulatory capital treatment.

SECURITISATION

Securitisation/structured credit activities exposures

Overview

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

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

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

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

Accounting policies

Refer to page 177

Risk management

All existing or proposed exposures to a securitisation are analysed on a case-by-case basis, with approval required from credit. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings and risk-weightings are presented, but only for information purposes since the 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 the group's 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.

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out above.

Credit analysis

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

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

Analysis of gross structured credit exposure

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

MARKET RISK

Market risk in the trading book

Traded market risk profile

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

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

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

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

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

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams 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 and approved by IBP ERC in accordance with the risk appetite defined by the board. Any significant changes in risk limits would then be taken to Group ERC for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, or in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

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

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

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

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

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

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

MARKET RISK
CONTINUED

Value at Risk

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

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

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

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

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

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

Expected shortfall

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

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

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

Stressed VaR

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

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

MARKET RISK
CONTINUED

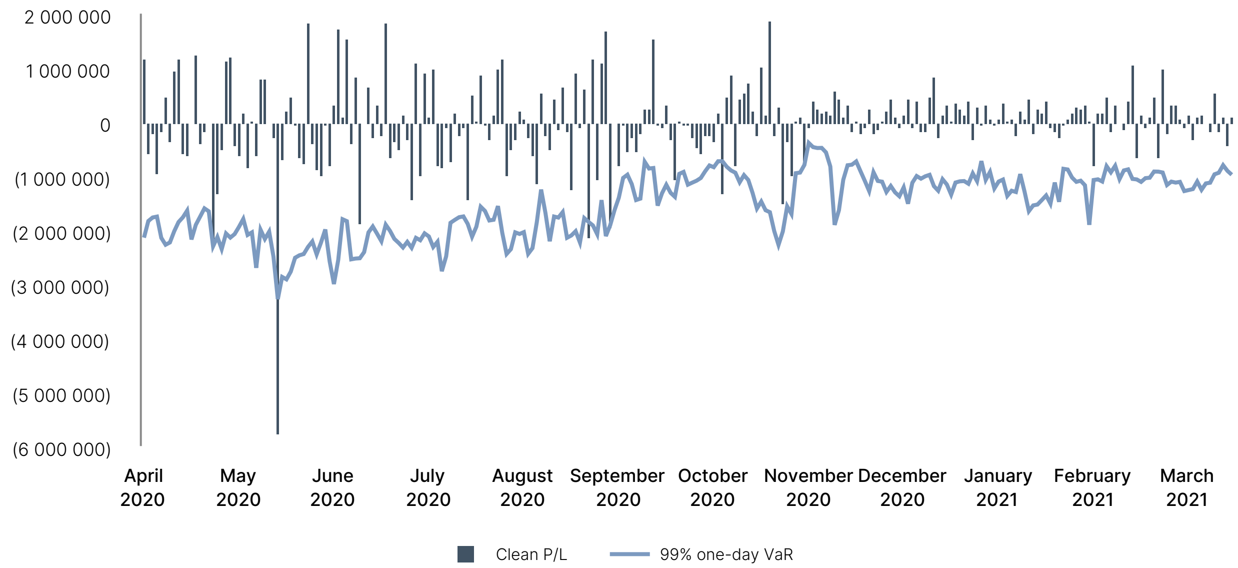
Backtesting

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

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

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

99% one-day VaR backtesting (£)



Stress testing

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

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

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

Capital

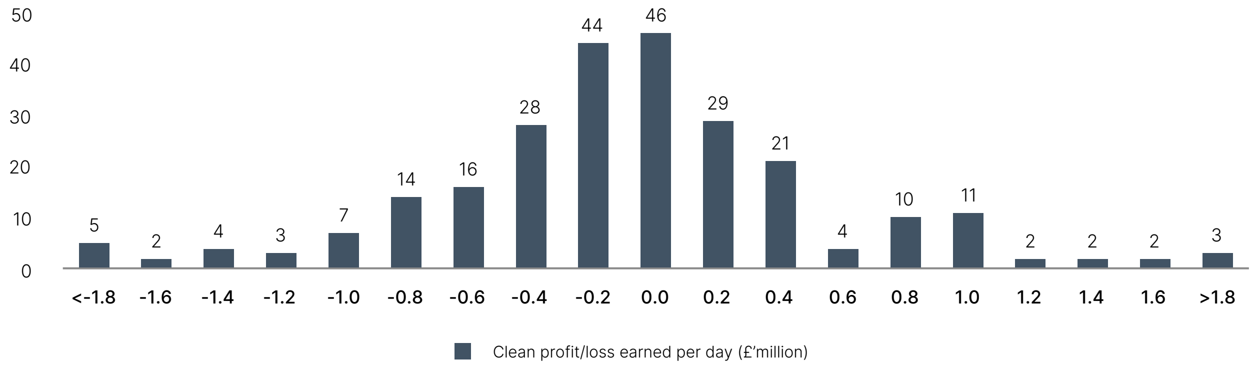
The market risk capital requirement is calculated using the standardised approach. For certain options, the group has an article 329 permission from the PRA to use an internal model to calculate the delta for these positions. In addition, the group has an article 331 permission which allows sensitivity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

MARKET RISK
CONTINUED

Clean profit and loss histogram

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

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



Market risk – derivatives

The 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 219.

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

BALANCE SHEET RISK

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

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

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

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

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

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

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

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

Balance sheet risk management is based within group risk management and is responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the 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, and DLC BRCC as well as summarised reports for board meetings.

Liquidity risk
Liquidity risk is further broken down into:

- **Funding liquidity:** this relates to the risk that the 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 liquidity risk:

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA,GFSC and FINMA
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The 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 is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - Net Stable Funding Ratio (NSFR)
- Modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent

BALANCE SHEET RISK
CONTINUED

judgement to model the impact on the group's balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments;
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

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

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event on the 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 funded assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

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

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

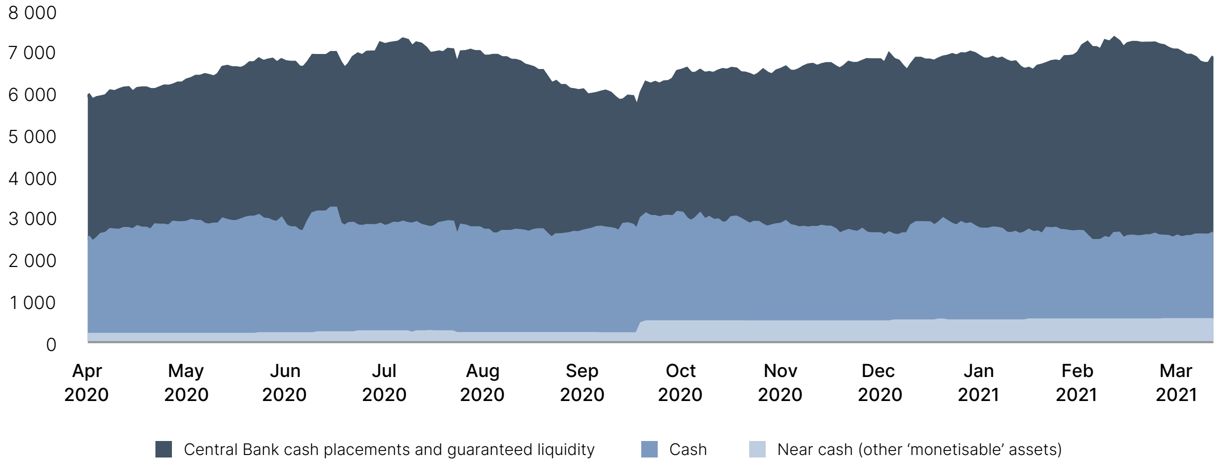
The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, 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 2020 to 31 March 2021 average cash and near cash balances over the period amounted to £6.6 billion.

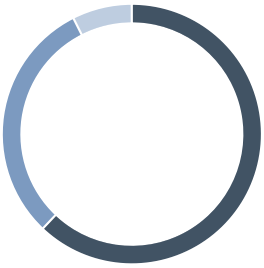
Cash and near cash trend
£'million



BALANCE SHEET RISK
CONTINUED

An analysis of cash and near cash at 31 March 2021

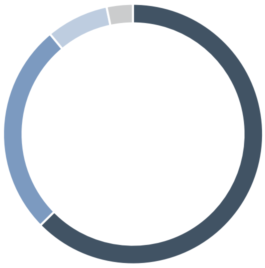
£6 857 million



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

Bank and non-bank depositor concentration by type at 31 March 2021

£17 431 million



■	Individuals	62.6%
■	Other financial institutions and corporates	26.3%
■	Banks	7.8%
■	Small business	3.3%

Contingency planning

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

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

The plan have been tested within our core jurisdictions via an externally facilitated liquidity crisis simulation exercise which assess the group's sustainability and ability to adequately contain a liquidity stress.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the 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 Bank of England'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. Further disclosures on encumbered and unencumbered assets can be found within the Investec plc Pillar III document.

On page 216 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

BALANCE SHEET RISK
CONTINUED

Liquidity mismatch

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

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

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

- Liquidity buffer: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the 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
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class
- Customer deposits: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2021

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	4 255	115	—	—	39	20	—	4 429
Investment/trading assets	996	663	358	534	401	1 323	1 473	5 748
Securitised assets	—	—	—	2	1	9	95	107
Advances	84	444	671	740	1 353	6 642	2 525	12 459
Other assets	203	794	48	13	65	386	550	2 059
Assets	**5 538**	**2 016**	**1 077**	**1 289**	**1 859**	**8 380**	**4 643**	**24 802**
Deposits – banks	(256)	(56)	—	—	(714)	(327)	—	(1 353)
Deposits – non-banks	(6 163)	(896)	(2 717)	(3 220)	(991)	(1 804)	(287)	(16 078)
Negotiable paper	(31)	(4)	(30)	(7)	(20)	(1 218)	(293)	(1 603)
Securitised liabilities	—	—	(2)	(2)	(3)	(33)	(68)	(108)
Investment/trading liabilities	(315)	(143)	(115)	(73)	(110)	(365)	—	(1 121)
Subordinated liabilities	—	—	—	—	(334)	—	(437)	(771)
Other liabilities	(140)	(446)	(68)	(85)	(123)	(323)	(76)	(1 261)
Liabilities	**(6 905)**	**(1 545)**	**(2 932)**	**(3 387)**	**(2 295)**	**(4 070)**	**(1 161)**	**(22 295)**
Total equity	—	—	—	—	—	—	(2 507)	(2 507)
Contractual liquidity gap	**(1 367)**	**471**	**(1 855)**	**(2 098)**	**(436)**	**4 310**	**975**	**—**
Cumulative liquidity gap	(1 367)	(896)	(2 751)	(4 849)	(5 285)	(975)	—	

Behavioural liquidity at 31 March 2021

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	**3 381**	**267**	**(722)**	**(1 256)**	**(467)**	**(2 012)**	**809**	**—**
Cumulative	3 381	3 648	2 926	1 670	1 203	(809)	—	

BALANCE SHEET RISK
CONTINUED

Non-trading interest rate risk

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

Measurement and management of non-trading interest rate risk

Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of non-trading banking products and services. The 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 net present value (NPV) sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the 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
- Historically-based yield curve changes.

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

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

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

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

BALANCE SHEET RISK
CONTINUED

Interest rate sensitivity gap at 31 March 2021

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

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	**Total non-trading**
Cash and short-term funds – banks	4 429	—	—	—	—	—	4 429
Investment/trading assets	3 124	227	208	136	49	703	4 447
Securitised assets	107	—	—	—	—	—	107
Advances	8 617	589	553	2 481	219	—	12 459
Other assets	—	—	—	—	—	1 811	1 811
Assets	**16 277**	**816**	**761**	**2 617**	**268**	**2 514**	**23 253**
Deposits – banks	(1 353)	—	—	—	—	—	(1 353)
Deposits – non-banks	(14 128)	(464)	(935)	(546)	(5)	—	(16 078)
Negotiable paper	(1 046)	—	—	(400)	—	—	(1 446)
Securitised liabilities	(108)	—					(108)
Investment/trading liabilities	(120)	—	—	—	—	—	(120)
Subordinated liabilities	(43)	—	—	(728)	—	—	(771)
Other liabilities	—	—	—	—	—	(870)	(870)
Liabilities	**(16 798)**	**(464)**	**(935)**	**(1 674)**	**(5)**	**(870)**	**(20 746)**
Total equity	—	—	—	—	—	(2 507)	(2 507)
Balance sheet	**(521)**	**352**	**(174)**	**943**	**263**	**(863)**	**—**
Off-balance sheet	1 174	(104)	(7)	(858)	(205)	—	—
Repricing gap	**653**	**248**	**(181)**	**85**	**58**	**(863)**	**—**
Cumulative repricing gap	653	901	720	805	863	—	

Economic value sensitivity at 31 March 2021

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

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	4.5	15.0	1.7	(2.7)	(0.7)	0.1	15.4
200bps up	(3.8)	(12.6)	(1.4)	2.3	0.6	—	(12.9)

BALANCE SHEET RISK
CONTINUED

Interest rate risk - IBOR reform

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

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

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

These risks include but are not limited to the following:

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

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

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

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

BALANCE SHEET RISK
CONTINUED

Regulatory requirements

Liquidity risk

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

Two minimum standards for funding liquidity were introduced:

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

Following the UK's departure from the EU, the PRA have exercised temporary transitional powers (TTP), meaning that EU regulation in place prior to the end of the transition period largely remains valid in the UK until 31 March 2022. As such, the Investec plc and IBP (solo basis) LCRs are calculated following the EU Delegated Act and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 31 March 2021 the LCR reported to the PRA was 440% for Investec plc and 475% for IBP (solo basis).

Within the UK, the NSFR will be onshored by the PRA and expected to become a binding requirement for banks in January 2022. Banks will be required to maintain a minimum NSFR of 100%. In the meantime, our internally calculated NSFR is based on the version published in the EU Official Journal in June 2019, and our own interpretations where required. The NSFR at 31 March 2021 was 129% for Investec plc and 126% for IBP (solo basis).

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

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

Non-trading interest rate risk

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

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

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

Balance sheet risk year in review

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

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

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

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

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

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

Cash and near cash balances at 31 March 2021 amounted to £6.9 billion (31 March 2020: £6.0 billion). Total customer deposits were £16.1 billion at 31 March 2021 (31 March 2020: £15.3 billion).

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

Refer to page 51 for further detail on credit ratings

OPERATIONAL RISK

Operational risk

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 via subsidiary board risk committees to IBP BRCC and DLC BRCC on a regular basis.

Management and measurement of operational risk

Regulatory capital

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

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

Operational risk management framework and governance

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

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

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

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

Operational risk practices consist of the following:

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

Operational risk year in review

In response to the global COVID-19 pandemic, our priority was the safety of our staff and the continuous servicing of our clients, whilst remaining fully operational with business-as-usual processes and controls. To this end, the 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 for all staff.

Operational risk events

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

OPERATIONAL RISK
CONTINUED

Looking forward
Key operational risk priorities for the year ahead:

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

OPERATIONAL RISK
CONTINUED

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

OPERATIONAL RISK
CONTINUED

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

Insurance
The 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.

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE

Reputational and strategic risk
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 shareholders, customers and all stakeholders. In addition, the group's policy is to avoid any transaction, service or association which may bring with it the risk of potential damage to our reputation. Transaction approval governance structures such as credit and new product committees have therefore been tasked with this responsibility in relation to all new business undertaken. The group also has a disclosure and public communications policy which is reviewed annually by the board.

Legal risk
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:

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

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

The legal risk policy is implemented through:

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

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

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

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

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

The 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

REPUTATIONAL AND STRATEGIC RISK, LEGAL RISK AND COMPLIANCE
CONTINUED

the interests of our customers and shareholders remain at the forefront of everything we do.

Conduct risk and consumer protection

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

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

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

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

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

Financial crime

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

Brexit

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

Tax reporting (FATCA, CRS, MDR and DAC6)

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

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

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

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

RECOVERY AND RESOLUTION PLANNING

Recovery and resolution planning

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

The recovery plan:

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

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

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

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

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

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

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

CAPITAL ADEQUACY

Capital management and allocation

Current regulatory framework

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

A summary of capital adequacy and leverage ratios

	Investec plc º *	**IBP º ***	Investec plc º * #	IBP º * #
	31 March 2021		31 March 2020	
Common Equity Tier 1 ratio**	11.0%	11.8%	10.7%	11.5%
Common Equity Tier 1 ratio (fully loaded)***	10.5%	11.3%	10.3%	11.1%
Tier 1 ratio**	12.7%	13.4%	12.4%	13.1%
Total capital ratio**	14.9%	16.4%	14.9%	16.5%
Risk-weighted assets (£'million)**	16 332	15 789	16 285	15 808
Leverage exposure measure (£'million)	26 672	26 351	25 869	25 719
Leverage ratio^	7.8%	8.0%	7.8%	8.0%
Leverage ratio (fully loaded)^ ***	7.4%	7.7%	7.4%	7.8%
Leverage ratio (UK leverage ratio framework)^ ^^	9.0%	9.4%	8.9%	9.2%

º The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 17bps (31 March 2020: 0bps) and 16bps (31 March 2020: 0bps) higher, respectively on this basis.

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

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, 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 2021 of £3 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

Where applicable, the 31 March 2020 comparatives for leverage have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 256.

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

^^ 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.

Investec plc applies the standardised approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. 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.

Year under review

During the year under review, Investec plc complied with the capital adequacy requirements imposed on it by the PRA. Investec plc continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2021, the CET1 ratio increased to 11.0 % from 10.7% at 31 March 2020. CET1 capital increased by £53 million to £1.8 billion, mainly as a result of:

- CET1 generation through net profit and loss of £70 million
- An increase in other comprehensive income of £95 million (including the fair value uplift on our investment in Ninety One plc), partially offset by an £87 million increase in the deduction applied to financial sector entities which exceed the 10% threshold
- A net increase of £6 million in the IFRS 9 transitional add-back adjustment, primarily as a result of the adoption of the 'quick fix' amendments to the CRR in June 2020. The amended regulations allowed new provisions recognised in 2020 and 2021 for financial assets that are not credit-impaired to be added back to CET1 capital
- A decrease of £19 million in the goodwill and intangible assets net of deferred taxation deduction, primarily driven by the impairment of goodwill of £11 million relating to Investec Ireland. The goodwill has been written off as a result of the change in business following the Brexit impact and as such there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

The increases were partially offset by:

- Dividends paid to ordinary shareholders and Additional Tier 1 security holders of £35 million and the inclusion of foreseeable charges and dividends of £24 million
- An increase in Treasury shares of £8 million.

RWAs increased by 0.3% or £47 million to £16.3 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £315 million. The increase in mainly driven by growth in private client lending, predominately HNW mortgages and other HNW lending. In addition, the portion of our Investment in Ninety One plc, which is not deducted from CET1 capital, is risk-weighted at 250% and is included in equity risk.

CAPITAL ADEQUACY
CONTINUED

Counterparty credit risk decreased by £230 million driven by a reduction in the volume of commodity swaps traded during the year and further reduction in counterparty credit risk exposures due to the recovery in interest rates and commodity prices, relative to 31 March 2020.

Market risk RWAs increased by £44 million, mainly due to an increase in collective investment undertaking risk due to a change in the capital treatment applied to these positions, partially offset by a decrease in foreign exchange risk due to the strengthening of GBP against the EUR and USD and a decrease in equity and interest rate risk due to market normalisation and risk reduction.

Operational risk RWAs decreased by £82 million, due to a reduction in the three-year average operating income used to determine the capital requirement.

The group's leverage ratio remained flat at 7.8%.

Minimum capital requirement

Investec plc's minimum CET1 requirement at 31 March 2021 is 7.5% comprising a 4.5% Pillar 1 minimum capital requirement , a 2.5% Capital Conservation Buffer (CCB), a 0.47% Pillar 2A requirement and a 0.03% Countercyclical Capital Buffer (CCyB). The group's institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. On 1 March 2020, the Financial Policy Committee (FPC) announced that with immediate effect the UK CCyB rate be reduced to 0% in response to the economic shock arising from COVID-19. At 31 March 2021 the UK CCyB rate has remained at 0%.

In response to the economic shock from COVID-19, the PRA announced in May 2020 that firms subject to a Supervisory Review and Evaluation Process (SREP) in 2020 and 2021 would have their Pillar 2A capital requirements set as a nominal amount, instead of a percentage of risk-weighted assets (RWAs). Firms not subject to a SREP in 2020 may apply for a conversion of their current Pillar 2A requirement into a nominal amount using RWAs as of end-December 2019. This change would apply until the next regulatory-scheduled SREP. Investec plc's Pillar 2A capital requirement has been converted into a nominal capital amount. In addition, on 16 December 2020, the PRA confirmed that it would reduce the group's Pillar 2A minimum capital requirement to reflect the FPC's decision from December 2019 to increase the CCyB in a standard risk environment (even though the FPC's decision was subsequently revoked, in light of the COVID-19 pandemic). The group's Pillar 2A requirement expressed as a percentage of RWAs at 31 March 2021 amounted to 0.83% of RWAs, of which 0.47% has to be met with CET1 capital.

Significant regulatory developments in the period

On 27 June 2020, the 'quick fix' amendments were adopted in Europe, which resulted in the accelerated implementation of certain CRR II rules, which were only due to take effect in June 2021. Notably, the IFRS 9 transitional arrangements were amended to allow institutions to fully addback to their CET1 capital any increase in new provisions recognised in 2020 and 2021 for their financial assets that are not credit-impaired and it allowed the application of the revised supporting factor for exposures to small and medium-sized enterprises and the new supporting factor applicable to infrastructure finance exposures, to be advanced by one year.

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

Philosophy and approach

The 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.

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

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

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

- Maintain sufficient capital to satisfy the DLC board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the ICAAP and subsequent SREP review. The ICAAP documents the approach to capital management, including the assessment of the regulatory and internal capital position of the group. The ICAAP is reviewed and approved by DLC BRCC and the Investec plc board.

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

Capital planning and stress/scenario testing

A capital plan is prepared for 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.

CAPITAL ADEQUACY
CONTINUED

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 Investec plc 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. 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 PLC Capital Committee, DLC Capital Committee and 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.

Capital structure and capital adequacy

£'million	Investec plc ° *	IBP ° *	Investec plc ° *	IBP ° *
	31 March 2021*		31 March 2020*	
Shareholders' Equity	**2 198**	**2 081**	**2 090**	**2 061**
Shareholders' equity excluding non-controlling interests	2 256	2 114	2 135	2 078
Foreseeable charges and dividends	(25)	(25)	—	—
Perpetual preference share capital and share premium	(25)	—	(25)	—
Deconsolidation of special purpose entities	(8)	(8)	(20)	(17)
Non-controlling interests	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	—	—	3	3
Non-controlling interests excluded for regulatory purposes	—	—	(3)	(3)
Regulatory adjustments to the accounting basis	**98**	**99**	**91**	**91**
Additional value adjustments	(7)	(6)	(8)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	12	12	12
Adjustment under IFRS 9 transitional arrangements	93	93	87	86
Deductions	**(500)**	**(312)**	**(436)**	**(333)**
Goodwill and intangible assets net of deferred taxation	(307)	(298)	(326)	(315)
Investment in capital of financial entities above 10% threshold	(179)	—	(92)	—
Deferred taxation assets that rely on future profitability excluding those arising from temporary difference	(12)	(12)	(18)	(18)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(2)	(2)	—	—
Common Equity Tier 1 capital	**1 796**	**1 868**	**1745**	**1 819**
Additional Tier 1 instruments	274	250	274	250
Tier 1 capital	**2 070**	**2 118**	**2 019**	**2 069**
Tier 2 capital	**370**	**473**	**414**	**533**
Tier 2 instruments	473	473	533	533
Non-qualifying surplus capital attributable to non-controlling interests	(103)	—	(119)	—
Total regulatory capital	**2 440**	**2 591**	**2 433**	**2 602**
Risk-weighted assets**	**16 332**	**15 789**	**16 285**	**15 808**

° The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 17bps (31 March 2020: 0bps) and 16bps (31 March 2020: 0bps) higher, respectively on this basis.

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

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

CAPITAL ADEQUACY
CONTINUED

Risk-weighted assets and capital requirements

£'million	Investec plc *	IBP *	Investec plc *	IBP *
	31 March 2021		31 March 2020	
Risk-weighted assets	**16 332**	**15 789**	**16 285**	**15 808**
Credit risk	12 497	12 413	12 183	12 145
Equity risk	581	117	580	125
Counterparty credit risk	691	691	921	922
Credit valuation adjustment risk	59	59	59	59
Market risk	778	778	734	726
Operational risk	1 726	1 731	1 808	1 831
Capital requirements	**1 307**	**1 263**	**1 303**	**1 265**
Credit risk	1 000	992	974	972
Equity risk	46	10	46	10
Counterparty credit risk	55	55	74	74
Credit valuation adjustment risk	5	5	5	5
Market risk	63	63	59	58
Operational risk	138	138	145	146

Leverage

£'million	Investec plc *	IBP *	Investec plc *#	IBP * #
	31 March 2021		31 March 2020	
Total exposure measure	26 672	26 351	25 869	25 719
Tier 1 capital ° **	2 070	2 118	2 019	2 069
Leverage ratio ^	**7.8%**	**8.0%**	**7.8%**	**8.0%**
Total exposure measure (fully loaded)	26 579	26 258	25 764	25 614
Tier 1 capital (fully loaded)	1 956	2 029	1 918	1 992
Leverage ratio (fully loaded)* ^**	**7.4%**	**7.7%**	**7.4%**	**7.8%**
Leverage ratio (UK leverage ratio framework)^ ^^	9.0%	9.4%	8.9%	9.2%

° The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 17bps (31 March 2020: 0bps) and 16bps (31 March 2020: 0bps) higher, respectively on this basis.

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

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, 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 2021 of £3 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

\# Where applicable, the 31 March 2020 comparatives for leverage have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 256.

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

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

CAPITAL ADEQUACY
CONTINUED

Total regulatory capital flow statement

£'million	Investec plc *	IBP *	Investec plc *	IBP *
	31 March 2021		31 March 2020	
Opening Common Equity Tier 1 capital	1 745	1 819	1 651	1 662
New capital issues	—	—	65	150
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(35)	(28)	(114)	(52)
Profit after taxation	70	64	646	58
Foreseeable charges and dividends	(25)	(25)	—	—
Treasury shares	(8)	—	(46)	—
Distribution to shareholders	—	—	(489)	—
Share-based payment adjustments	(1)	—	8	(7)
Net equity impact on non-controlling interest movement	—	—	(1)	8
Movement in other comprehensive income	95	(3)	45	9
Investment in capital of financial entities above 10% threshold	(87)	—	(92)	—
Goodwill and intangible assets (deduction net of related taxation liability)	19	17	107	20
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	6	(5)	(5)
Deconsolidation of special purpose entities	13	9	(4)	(3)
Gains or losses on liabilities at fair value resulting from changes in own credit standing	1	—	(9)	(9)
IFRS 9 transitional arrangements	6	6	(7)	(8)
Other, including regulatory adjustments and other transitional arrangements	(3)	3	(10)	(4)
Closing Common Equity Tier 1 capital	**1 796**	**1 868**	**1 745**	**1 819**
Opening Additional Tier 1 capital	274	250	274	250
Closing Additional Tier 1 capital	274	250	274	250
Closing Tier 1 capital	**2 070**	**2 118**	**2 019**	**2 069**
Opening Tier 2 capital	414	533	485	596
Other, including regulatory adjustments and other transitional arrangements	(44)	(60)	(71)	(63)
Closing Tier 2 capital	**370**	**473**	**414**	**533**
Closing total regulatory capital	**2 440**	**2 591**	**2 433**	**2 602**

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

CONTENTS

Governance report

CHAIR'S INTRODUCTION

Our client franchises remained resilient despite a challenging global economic environment

As I write my introduction to the corporate governance report, the COVID-19 pandemic, which formed the backdrop to the previous financial year, continues to have a significant impact on society, and on the manner in which companies operate.

In these times, we believe that good governance and stakeholder engagement are more important than ever, and key to the successful delivery of the group's strategy.

Below, I set out my reflections on the key areas of focus for the Investec plc board (the board) over the past year, and thoughts on the year ahead.

The past year in focus

Responding to the pandemic

The board has extensively monitored the impact of the pandemic on the group's businesses and its stakeholders. We have supervised the group's response as the situation evolved, seeking to ensure that the risks posed by the pandemic were mitigated.

We placed significant focus on the provision of support to our clients, as we continued to deliver the high level of client engagement and service for which Investec is well known. Our efforts were strengthened by the implementation of certain initiatives, including a number of government support schemes.

The well-being of our employees has also been a major focus for the board, given the profound effect the pandemic has had on the way we live and work. The switch from a predominantly office led work environment to a principally work from home arrangement was implemented both smoothly and rapidly. Our employee well-being programme has adapted to the new normal, with an increase in the number of digital resources and the introduction of a greater number of virtual events, to enable the continued connectivity of our colleagues. The board is grateful for the outstanding efforts of our colleagues. Details of the group's approach to workforce engagement can be found on page 130.

Strategy

The board has continued to oversee and monitor progress on the group's strategy to position itself for sustainable long-term growth through its commitment to One Investec. This client-focused strategy commits us to offering our clients the full breadth and scale of our products and services, irrespective of geography. Further information about the group's strategy can be found on page 10.

Stakeholder engagement

Our group-wide philosophy seeks to maintain an appropriate balance between the interests of all our stakeholders, and is closely aligned to our culture and values, purpose and vision. The board recognises that in order for the group to be the best we can be, we have to understand the needs of our stakeholders, and establish the most effective way to engage with them. Details of how the board engages with our stakeholders, including our consideration of shareholder and wider stakeholder interests in the board's decision-making processes are set out in the section 172(1) statement on pages 19 to 28.

Culture

The board supports the group's aim to sustain our distinctive, entrepreneurial culture. During the year, the board assessed and monitored the group's culture, to determine whether it remains aligned with our strategic objectives. We also undertook a process of collective reflection with the aim of articulating our purpose, to ensure that we remained true to the values upon which Investec was built. As identified in the chief executive report, we arrived at the following purpose statement: We exist to create enduring worth, living in, not off, society. Further information on our culture, purpose and values can be found on page 9.

Belonging, Inclusion and Diversity

The board recognises the benefits of diverse, representative teams, working within inclusive environments. Diversity of thought is necessary to provide the range of perspectives, insight and challenge to support good decision-making. The group is taking a progressive approach to promoting diversity throughout our organisation and is actively considering diversity when attracting and securing talent to help the group deliver its objectives. Further information about our Board Governance and Diversity Policy can be found on page 125.

Climate change

The board is conscious of the impact of climate change on our business and how the group's activities affect the environment. These topics have been discussed by the board and a number of its committees. We were pleased to receive shareholder support at the 2020 annual general meeting (AGM) to continue the group's commitment to carbon neutrality with respect to Scope 1 and 2 emissions of our direct operations, and to report annually on the progress made on our climate related exposures. We will be proposing a further resolution at 2021 AGM, in respect of our Scope 3 emissions. . Further information about the group's commitment to supporting the transition to a clean and energy-efficient economy can be found in Investec group's 2021 sustainability and ESG supplementary report.

CHAIR'S INTRODUCTION
CONTINUED

Succession planning
Succession planning, both in respect of non-executive directors and the executive, is a key component of good governance. As illustrated by the changes to the composition of the board outlined below, this was again a focus during the past year, with particular attention given to identifying my successor as Chair of the board. Further information on succession planning can be found on pages 132 and 133.

Board composition and committee changes
There have been a number of changes to the board and its committees during the year.

- Ciaran Whelan joined the board in April 2020 as an executive director
- David van der Walt stepped down as an executive director in June 2020. The board offers its sincere thanks to David for his long service, dedication and contribution to the group
- Ian Kantor, a non-executive director, co-founder and former chief executive of the group, did not stand for re-election at the 2020 AGM, and therefore stood down from the board in August 2020. The board is grateful to Ian for his exemplary service, commitment and contribution to the group, and wishes him well with his future endeavours
- Stephen Koseff joined the board in September 2020, as a non-independent non-executive director. Stephen was also appointed as a member of the DLC Board Risk and Capital Committee (BRCC)
- Richard Wainwright joined the board as an executive director in September 2020
- Charles Jacobs will step down from the board with effect from 30 June 2021, and accordingly will not stand for re-election at the 2021 AGM. The board is grateful to Charles for his dedication and contribution to the group, and wishes him well for his forthcoming appointment as co-head of UK investment banking at JP Morgan
- Lord Malloch-Brown will also not stand for re-election at the 2021 AGM, and will accordingly step down from the board with effect from 5 August 2021. The board offers its sincere thanks to Lord Malloch-Brown for his exemplary service and commitment to the group. The board wishes him well in his role as President of the Open Society Foundations
- As announced in March 2021, I will not stand for re-election as Chair of the board at the AGM in August 2021, and will accordingly step down from the board with effect from 5 August 2021.

Since 31 March 2021, we have also announced the following changes to the board and its committees.

- Nicky Newton-King joined the board in May 2021, as an independent non-executive director. Nicky was also appointed as a member of the DLC BRCC and DLC Social and Ethics Committee (SEC)
- Jasandra Nyker joined the board in May 2021, as an independent non-executive director. Jasandra was also appointed as a member of the DLC BRCC and DLC SEC
- Brian Stevenson joined the board in June 2021, as an independent non-executive director. Brian was also appointed a member of the DLC BRCC and DLC Nomdac
- As announced in June 2021, we confirmed that Philip Hourquebie would succeed me as Chair of the board. Philip will accordingly assume the role of Chair at the conclusion of the AGM in August 2021.

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. This year's review was an internal evaluation overseen by the DLC Nominations and Directors' Affairs Committee (Nomdac). The evaluation concluded that the performance of the board, its committees and each of the directors continues to be effective. Details of the board effectiveness process and review can be found on page 131.

The senior independent director, Zarina Bassa, led my effectiveness review, and an assessment of my continued independence, supported by an independent third party, Board Practice. The reviews confirmed that I continued to be effective in my role as chair and that I continued to demonstrate independence of character and judgement respectively. Further details can be found on page 126.

Corporate governance
For the financial year ended 31 March 2021, the group complied with the principles of the UK Corporate Governance Code 2018. Our statement of compliance with the UK Corporate Governance Code can be found on page 122.

The year ahead
We strive to be a distinctive bank and investment manager, driven by a commitment to create enduring worth, living in, not off, society. Our core philosophies and values have resulted in profitable, impactful and sustainable solutions to our clients. While the group is well positioned with strong foundations the successful implementation of the One Investec strategy will enable us to deliver sustainable long-term growth for shareholders.

Key priorities for the year

- Our long-term commitment to One Investec
- The continued focus on the well-being of our people.

I offer my congratulations to Philip Hourquebie, who will succeed me as Chair at the conclusion of the AGM in August 2021. Philip has a good knowledge of our business, and significant experience of engaging with our stakeholders, through his role as Chair of the DLC Remuneration Committee. I believe Philip will excel in his new role, and wish him every success for his forthcoming appointment.

I would like to end by once again thanking our colleagues for their significant contribution in the past year. It is the dedication and innovation from all of them that enables us to deliver for our clients and shareholders. While this has been a challenging year, Investec has proved remarkably resilient. Doubtless, further challenges lie ahead, but I am confident that the business will continue to live up to the promise of our purpose, as we work hard together to fulfil our role in society.

PKO Crosthwaite

Perry Crosthwaite
Chair
23 June 2021

DIRECTOR BIOGRAPHIES

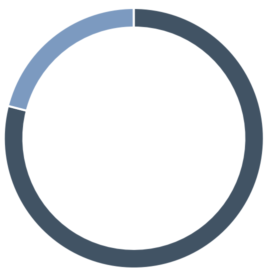
Who we are

Director biographies
Biographies of our directors as at 31 March 2021 are outlined on the following pages, including their relevant skills and experience, key external appointments and any appointments to board committees.

Committee membership key

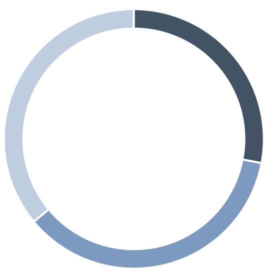
- A DLC and Investec plc Audit Committees
- B DLC BRCC
- N DLC Nomdac
- R DLC Remuneration Committee
- S DLC SEC
- Denotes Committee Chair

Gender diversity



Male	11
Female	3

Age



44-53	28%
54-63	36%
64-73	36%

Perry Crosthwaite

Chair

B N R

Appointed: June 2010 (board), May 2018 (chair)

Nationality: British

Age: 72

Qualifications: MA (Hons) (Oxon)

Relevant skills and experience:
During his 30-year career in investment banking, Perry gained extensive financial services and banking experience. He was a founding member of Henderson Crosthwaite Institutional Brokers Limited, and following their acquisition by Investec, he ran the investment banking division in London for six years. Subsequently, he was on the boards of Toluna plc and Melrose Industries plc, and chair of Jupiter Green Investment Trust. Perry also brings strong governance and strategic development skills, in addition to stakeholder management experience.

External appointments: None

Zarina Bassa

Senior independent director

A B N R

Appointed: November 2014 (board), April 2018 (SID)

Nationality: South African

Age: 57

Qualifications: BAcc, DipAcc, CA (SA)

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

External appointments: JSE Limited, Oceana Group Limited, YeboYethu Limited (until 27 July 2021) and Woolworths Holdings Limited

Henrietta Baldock

Independent non-executive director

B R

Appointed: August 2019

Nationality: British

Age: 50

Qualifications: BSc (Hons)

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

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

David Friedland

Independent non-executive director

B N

Appointed: March 2013

Nationality: South African

Age: 67

Qualifications: BCom, CA (SA)

Relevant skills and experience:
David's previous appointments include international partner of Arthur Anderson and partner of KPMG, where he was head of audit and risk, and the lead audit partner for several listed companies. Through this experience and his non-executive board activities, he brings extensive risk and audit experience, and regulatory reporting skills.

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

DIRECTOR BIOGRAPHIES
CONTINUED

Philip Hourquebie

Independent non-executive director

A B N R

Appointed: August 2017

Nationality: British

Age: 67

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

Relevant skills and experience:
Philip has substantial international and advisory experience, gained through a long career at Ernst & Young, where he held various positions, including managing partner for the Africa and, Central and South East Europe regions. This career experience, in conjunction with his time as chair of the South African Institute of Chartered Accountants, brings deep finance, strategic and operational experience.

External appointments: Aveng Limited

Charles Jacobs

Independent non-executive director

R

Appointed: August 2014

Nationality: Irish

Age: 54

Qualifications: LLB

Relevant skills and experience:
Charles has over 28 years of experience of advising companies around the world, including in relation to their compliance, regulatory and legal requirements, through his experience as a senior partner and chair of global law firm Linklaters LLP. He brings to the board a valuable combination of knowledge of UK regulatory requirements and corporate governance standards, global capital markets, mergers and acquisitions.

External appointments: Fresnillo plc

Stephen Koseff

Non-executive director

B

Appointed: September 2020

Nationality: South African

Age: 69

Qualifications: BComm, CA (SA), MBA, H Dip BDP, Hon DCom

Relevant skills and experience:
Stephen was with Investec for 39 years in various capacities and the chief executive of the group from 1996 to 2018. He is a former board member of the South African Banking Association, the Bidvest Group Limited, the JSE Limited, the Business Leadership South Africa, the South African Banking Association, the Financial Markets Advisory Board and the Independent Bankers Association. His significant experience with Investec makes him an excellent source of knowledge for the board, as does his experience of stakeholder engagement. Stephen also brings strong commercial, finance, risk and industry expertise to the board.

External appointments: Bid Corporation Limited, Bud Group (Pty) Limited and Bravo Transport Holdings Limited

Lord Malloch-Brown

Independent non-executive director

N S

Appointed: August 2014

Nationality: British

Age: 67

Qualifications: BA (Hons), MA

Relevant skills and experience:
Lord Malloch-Brown was a UK government minister and member of the cabinet. He was formerly the deputy secretary general of the UN, as well as a vice president at the World Bank, head of UN Development Programme and a journalist at the Economist, with wide ranging experience of boards. He also chaired the Business and Sustainable Development Commission. The board benefits from Lord Malloch-Brown's regulatory insight, and extensive knowledge of ESG matters.

External appointments: Open Society Foundations

Khumo Shuenyane

Independent non-executive director

B N S

Appointed: August 2014

Nationality: South African

Age: 50

Qualifications: BEcon, CA (England and Wales)

Relevant skills and experience:
Khumo's previous experience includes audit manager at Arthur Anderson, almost a decade at Investec in corporate finance and principal investments and head of mergers and acquisitions at MTN Group Limited. In 2018, he was appointed chair of IBL. Khumo brings strong industry experience to the board, as well as exemplary knowledge of investment banking, telecoms, media and technology issues.

External appointments: Vodacom Group Limited

Philisiwe Sibiya

Independent non-executive director

A B

Appointed: August 2019

Nationality: South African

Age: 44

Qualifications: BAcc, Dip Acc, CA (SA)

Relevant skills and experience:
Philisiwe is the founder and chief executive of the Shingai Group. She was also involved in the telecommunications and media sector for 15 years, with 12 years spent at MTN group where she held various roles including as group finance executive of MTN group, chief financial officer of MTN South Africa and the chief executive of MTN Cameroon. Prior to this she was with Arthur Andersen. Philisiwe has strong commercial and finance experience, further supporting the board with her audit and risk management skills.

External appointments: AECI Limited, Goldfields Limited and Shingai Group (Pty) Limited

DIRECTOR BIOGRAPHIES
CONTINUED

Fani Titi
Chief Executive

B S

Appointed: January 2004 (board), November 2011 (chair), May 2018 (chief executive)

Nationality: South African

Age: 58

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

Relevant skills and experience:
Fani was the founding member of the Kagiso Trust Investments Limited, and later cofounded and led the public offering of Kagiso Media Limited. He was subsequently the founding executive chair of the Tiso Group, which later merged with Kagiso Trust Investments Limited, to form Kagiso Tiso Holdings. Fani has been a member of the IBL board from July 2002. He has also been a member of the board since January 2004, and was non-executive chair from November 2011 until May 2018. He has served on a number of boards and joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD). Fani brings strong banking and commercial expertise to the board.

External appointments: Ninety One plc

Nishlan Samujh
Group Finance Director

B

Appointed: April 2019

Nationality: South African

Age: 47

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

Relevant skills and experience
Nishlan started his career at KPMG Inc. He joined Investec in 2000 as a technical accountant, in the financial reporting team. In 2010, he took on the full responsibility for the finance function in South Africa, which later developed into the global head of finance. This background affords significant financial expertise, and regulatory reporting skills.

External appointments: None

Richard Wainwright
Executive director

Appointed: September 2020

Nationality: South African

Age: 58

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

Relevant skills and experience:
Richard has been with Investec since 1995 in various capacities, and the chief executive of IBL since 2016, responsible for our operations in South Africa. Richard started the structured products and project finance divisions in 2003 in the group's corporate and institutional banking division. He brings investment banking, tax, risk and industry expertise to the board.

External appointments: Banking Association of South Africa (BASA)

Ciaran Whelan
Executive director

Appointed: April 2020

Nationality: Irish

Age: 57

Qualifications: FCA (Irish), HDip Tax (SA)

Relevant skills and experience:
Ciaran joined Investec in 1988. He has had varied experience within Investec, including chief executive of Investec Bank Australia Limited and the global head of Investec Private Bank. Ciaran was appointed as chief executive of Investec Wealth & Investment (UK) in 2020. Ciaran brings hands-on experience in managing business risks to the board.

External appointments: None

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The UK Corporate Governance Code 2018 (the code) applied to the group for the financial year ended 31 March 2021. The board confirms that the group has complied with the principles, the application of which are evidenced throughout this report. The table below is designed to help shareholders evaluate how this has been achieved. The board considers that compliance has been achieved throughout the year, with the exception of provision 19 in respect of the tenure of the chair. An explanation of the board's position in this regard can be found on page 126.

Board leadership and company purpose

A. An effective entrepreneurial board, which is collectively responsible for the long-term sustainable success of the group, generating value for shareholders and contributing to the wider society (read more on page 125).

B. Purpose, values and strategy are aligned with culture, which is promoted by the board (read more on page 130).

C. Resources allow the group to meet its objectives and measure performance. A framework of controls enables assessment and management of risk (read more on pages 51 to 53).

D. Engagement with the group's stakeholders is effective and encourages their participation (read more on pages 19 to 28).

E. Workforce policies and practices are consistent with the group's purpose and values, and overseen by the board (read more on page 130). The workforce is able to raise matters of concern, with the responsibility for whistleblowing arrangements being assigned to the subsidiary Audit Committees of the group, in accordance with their regulatory obligations.

Division of responsibilities

F. The Chair has overall responsibility for the leadership of the board and for ensuring its effectiveness in all aspects of its operations (read more on page 124).

G. The board comprises an appropriate combination of non-executive and executive directors (read more on pages 124 to 127).

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

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

Composition, succession and evaluation

J. There is a procedure for board appointments and succession plans for board and senior management which recognise merit and promote diversity (read more on pages 132 and 133).

K. There is a combination of skills, experience and knowledge across the board and the board committees. Independence, tenure and membership are regularly considered (read more on pages 125 and 126).

L. The annual effectiveness review of the board and the individual directors considers overall composition, diversity, effectiveness and contribution (read more on page 131).

Audit, risks and internal controls

M. Policies and procedures have been established to ensure the independence and effectiveness of the internal and external audit functions. The board satisfies itself of the integrity of the group's financial and narrative statements (read more on pages 138 to 147).

N. The board presents a fair, balanced and understandable assessment of the group's position and prospects (read more on page 144).

O. Procedures are in place to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the group is willing to take in order to achieve its long-term strategic objectives (read more on pages 148 to 152).

Remuneration

P. The group is committed to offering all employees a reward package that is competitive, performance-driven and fair. Our policies are designed to support the group's strategy and to promote its long-term sustainable success, with executive remuneration aligned to our purpose, values and strategic delivery (read more on pages 151 to 195 of volume one of Investec group’s 2021 integrated annual report).

Q. A transparent and formal procedure is used to develop policy and agree executive and senior management remuneration (read more on pages 151 to 195 of volume one of Investec group’s 2021 integrated annual report).

R. The remuneration policy seeks to ensure all remuneration decisions made by directors, fully consider the wider circumstances as appropriate, including, but not limited to, individual performance (read more on pages 151 to 195 of volume one of Investec group’s 2021 integrated annual report).

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)
- 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 have therefore been incorporated into this report, as appropriate, from that contained within volume one of the Investec group's 2021 integrated annual report.

The governance activities of the Investec group 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 Investec Limited Memorandum of Incorporation, the UK Companies Act 2006 (UK Companies Act), the listing rules of the UK Listing Authority (UKLA), the UK Corporate Governance Code 2018 and the Investec plc Articles of Association.

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. They ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The IBP and IW&I boards and board committees report to the board and the respective board committees of the Investec group. Interconnection between the respective board committees is supported by the membership or attendance of the chair of the group board committee at the respective subsidiary board committee.

The governance framework from a group perspective is detailed below:

Investec plc board

Our strategy page 10

Our principal risks pages 55 to 64

s172(1) statement pages 19 to 28

Board activities pages 128 to 130

The board delegates certain matters to its five principal committees

Investec plc Audit Committee

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

Read more on pages 138 to 147

DLC Remuneration Committee

- Sets overarching principles and parameters of remuneration across the group
- Considers and approves remuneration for the Executive Directors, other senior executives and certain group employees
- Oversees remuneration matters.

Read more on pages 153 to 155 of volume one of Investec group's 2021 integrated annual report

DLC Nominations and Directors' Affairs Committee

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

Read more on pages 132 to 134

DLC Board Risk and Capital Committee

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

Read more on pages 148 to 152

DLC Social and Ethics Committee

- Monitors the group's behaviour as a corporate citizen
- Oversees the group's ESG policies and processes
- Monitors the group's application of the South African Employment Equity Act and the South African Broad-Based Black Empowerment Act

Read more on pages 135 to 137

Executive committees

The executive committees are accountable to the board for the implementation of the agreed strategy. This is achieved through the management of the group's businesses, oversight of group-wide performance and operational governance on a day-to-day basis. It is in turn supported by an executive/management committee structure.

Supporting committees

BOARD AND EXECUTIVE ROLES

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

Chair

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

Chief executive

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

Finance director

- 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
- 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

- Acts as a sounding board for the Chair
- Leads the board in the assessment of the effectiveness of the Chair
- Acts as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board
- Addresses any concerns of shareholders and other stakeholders that are unable to be resolved through normal channels, or if contact through these channels is deemed inappropriate.

Non-executive director

- Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals
- Constructively challenges and contributes to assist in developing the group's strategy
- Monitors the performance of management against their agreed strategic goals
- Oversees the effectiveness of internal controls and the integrity of financial reporting
- Reviews succession planning for the board and management
- Oversees the risk management framework
- Oversees the remuneration of the executive directors and the group's employees.

Company secretary

- Maintains the flow of information to the board and its committees and ensures compliance with board procedures
- Ensures and keeps the board updated on corporate governance developments
- Facilitates a programme for the induction and ongoing development of directors
- Provides advice, services and support to all directors as and when required.

BOARD COMPOSITION

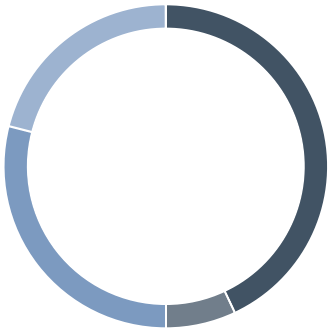
An experienced and diverse team

We have designed the composition of the board to ensure that we have the appropriate mix of knowledge, skills, experience, independence and diversity to provide the range of perspectives, insights and challenge needed to support good decision-making in order to support the delivery of the group's strategic objectives.

We consider the collective skills and experience of the directors when assessing the overall composition and suitability of the board. The current collective skills and sector experience of the board include the following areas: banking, wealth management, risk, regulatory, strategic thinking, digital and ESG. The key skills and experience of specific directors are detailed in their respective biographies on pages 119 to 121.

Further information on board composition can be found on pages 126 and 127, whilst the details of our Board Governance and Diversity Policy are set out below.

Board tenure



0-2 years	43%
2-4 years	7%
4-6 years	—%
6-8 years	29%
8+ years	21%

Board Governance and Diversity Policy
The Board Governance and Diversity Policy sets out the approach to the gender, diversity and governance of the board. It underpins the board's approach to diversity for senior leadership roles, which is governed in greater detail through the group's policies.

The board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. Consideration is given to the combination of demographics, skills, experience, race, ethnicity, religion, age, gender, educational and professional background and other relevant personal attributes. The aim is to provide the range of perspectives, insights and challenge needed to support good decision-making by the board.

New appointments are made on merit, taking into account the specific skills, experience, independence and knowledge needed to ensure a well-rounded board and the diverse benefits each candidate can bring to the overall board composition.

In March 2021, the board considered and approved updates to the Board Governance and Diversity Policy to reflect the JSE Debt Listings Requirements and the Race at Work Charter.

Mindful of the recommendation of the Hampton-Alexander Review, the board set a target of 33% female representation on the board. As at 31 March 2021, we had achieved 21% female representation.

Following the appointments of Nicky Newton-King, Jasandra Nyker and Brian Stevenson to the board, and as at the date of this report, there is currently a 29% female representation on the board.

The gender balance of those in senior management and their direct reports is set out in the 2021 Investec group sustainability and ESG supplementary report

Cognisant of the recommendation of the Parker Review and in accordance with the requirements of the South African Financial Sector Code, the board set two further objectives. Firstly, a minimum of 25% of the board members who are ordinarily resident in South Africa (and having been naturalised prior to 1994) should be black women. Secondly, a minimum of 50% of the board members who are ordinarily resident in South Africa (and having been naturalised prior to 1994) should be black people. As at the 31 March 2021, there were five board members who were persons of colour, as defined by the Parker Review.

Following the appointments of Nicky, Jasandra and Brian to the board, and as at the date of this report, there are currently six board members who are persons of colour, as defined by the Parker Review.

Further information on the group's broader approach to diversity and inclusion can be found in the 2021 Investec group sustainability and ESG supplementary report

BOARD COMPOSITION
CONTINUED

Board composition

Membership

At the date of this annual report, the board comprised four executive directors and 12 non-executive directors, including the Chair.

The changes to the composition of the board which occurred during the year, following the year-end, and those that are forthcoming, are as follows:

- Ciaran Whelan joined the board as an executive director in April 2020
- David van der Walt stepped down from the board in June 2020
- Ian Kantor stepped down from the board at the AGM in August 2020
- Stephen Koseff joined the board as a non-independent non-executive director in September 2020
- Richard Wainwright joined the board as an executive director in September 2020
- Charles Jacobs will step down from the board in June 2021
- Perry Crosthwaite and Lord Malloch-Brown will not stand for re-election at the AGM in August 2021
- Nicky Newton-King joined the board as an independent non-executive director in May 2021
- Jasandra Nyker joined the board as an independent non-executive director in May 2021
- Brian Stevenson joined the board as an independent non-executive director in June 2021
- Philip Hourquebie will succeed Perry Crosthwaite as Chair at the conclusion of the AGM in August 2021.

The names of the directors during the year, and the dates of their appointments are set out on page 127.

Further information regarding the DLC Nomdac's responsibilities in respect of succession planning can be found on pages 132 and 133.

Independence

The board 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 members of the board.

Throughout the year ended 31 March 2021, the board was compliant with the UK Corporate Governance Code, in that the majority of the board, excluding the chair, comprised independent non-executive directors.

The board considers all relevant circumstances, in ensuring that the directors demonstrate independence of character and judgement, and provide challenge to the executive board members in the boardroom.

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

The board is of the view that the chair, Perry Crosthwaite, was independent on appointment. As indicated in last year's report, in accordance with the South African Prudential Authority's Directive 4/2018, the board had obtained permission for Perry to remain as chair of the board and DLC Nomdac until 31 March 2022, given that Perry had served on the board for a period of greater than nine years. During the year, the senior independent director, Zarina Bassa, led an assessment of the Chair's independence, supported by an independent third party, Board Practice. This assessment concluded that Perry continues to demonstrate objective judgement and promote constructive challenge amongst the members of the board. The board also notes provision 15 of the UK Corporate Governance Code, and further to its consideration of Perry's independence, also identified that Perry's continued appointment supported the succession plan for the board and the leadership team. In line with the succession plan for the board, Perry Crosthwaite will not stand for re-election at the AGM in August 2021.

The board's deliberation on the independence of the non-executive directors included the consideration of the following relationships and associations in regards to specific directors:

- Philip Hourquebie was a regional managing partner of Ernst & Young, joint auditors of the group. The board concluded that, notwithstanding his previous association with Ernst & Young, Philip retains independence of judgement given he was never the group's designated auditor or relationship partner and was not involved with the Investec account. He also served a three-year cooling off period prior to appointment
- Ian Kantor was a co-founder and former chief executive of the group. The board concluded that Ian could not be considered independent
- Stephen Koseff was a former chief executive of the group. The board concluded that Stephen could not be considered independent
- Charles Jacobs was the chair of Linklaters LLP (Linklaters) until 30 June 2021. Linklaters is 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

The board also considers tenure when examining independence, and when discussing the composition of the board as a whole. The board is 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 identified independent non-executive directors standing for election or re-election at the AGM in August 2021 interferes with their independence of judgement or their ability to act in the group's best interest.

BOARD COMPOSITION
CONTINUED

Board composition as at 31 March 2021

Members	Independent	Board member since	Investec plc (9 meetings in the year)[3] Attended	Eligible to attend
Perry Crosthwaite (Chair)	On appointment	18 Jun 2010	9	9
Fani Titi (Chief Executive)	Executive	30 Jan 2004	9	9
Henrietta Baldock	Yes	9 Aug 2019	9	9
Zarina Bassa	Yes	1 Nov 2014	9	9
David Friedland	Yes	1 Mar 2013	9	9
Philip Hourquebie	Yes	14 Aug 2017	9	9
Charles Jacobs	Yes	8 Aug 2014	9	9
Ian Kantor[1]	No	26 Jun 2002	4	4
Stephen Koseff	No	17 Sep 2020	5	5
Lord Malloch-Brown	Yes	8 Aug 2014	9	9
Nishlan Samujh	Executive	1 Apr 2019	9	9
Philisiwe Sibiya	Yes	9 Aug 2019	9	9
Khumo Shuenyane	Yes	8 Aug 2014	9	9
David van der Walt[2]	Executive	1 Apr 2020	2	2
Richard Wainwright	Executive	17 Sep 2020	5	5
Ciaran Whelan	Executive	1 Apr 2020	9	9

1. Ian Kantor stepped down from the board on 6 August 2020.
2. David van der Walt stepped down from the board on 4 June 2020.
3. During the year, there were nine board meetings, including six meetings of the Investec group board, an ad hoc meeting called at short notice, a board strategy session, and a separate Investec plc board meeting.

Summary board activities

	24 Apr[1]	20 May	23 Jul[2]	17 Sep	18 Nov	04 Dec[3]	12 Feb	17 Mar
Strategy	●		●	●		●	●	●
Financial management and performance	●	●		●	●	●	●	●
Operating context	●			●		●		●
Risk and assurance	●	●		●	●	●	●	●
People strategy, leadership and succession			●	●			●	●
Remuneration		●		●				●
Corporate governance and reporting		●		●	●	●	●	
Shareholders and key stakeholders	●	●		●	●	●		●
Culture, purpose and values	●			●		●	●	●
ESG	●			●	●		●	

1. Ad hoc meeting called at short notice to consider an update in respect of the initial impact of the COVID-19 impact.
2. An Investec group board and separate Investec plc board meeting were held.
3. Board strategy session.

BOARD ACTIVITIES

What we did in 2020/21

2020

April

- Reviewed the initial impact of COVID-19 on the group, in terms of any customer issues, operational resilience and other risk matters
- Considered an update on the well-being of employees, and the switch to staff predominantly working from home
- Discussed the guidance issued by the UK regulators in respect of COVID-19.

May

- Reviewed and approved the going concern and the viability statement
- Received a detailed update from the DLC Audit Committee in respect of the impact of COVID-19, structured products, going concern considerations and issues raised by assurance providers
- Assessed the performance of the UK structured products book
- Approved the financial results for the year ended 31 March 2020
- Discussed and recommended the re-appointment of the external auditors.

July

- Gained comfort with respect to the ongoing risk management of the UK structured products book
- Reviewed detailed updates on the performance of IW&I (UK) and Specialist Bank (UK)
- Discussed feedback from shareholder roadshows.

September

- Approved the appointments of Stephen Koseff and Richard Wainwright to the board
- Received an update on the group's performance and operating environment
- Discussed progress against the group's key strategic initiatives
- Considered the appropriateness of the pre-close statement
- Received an update on the potential impact of Brexit
- Approved the COVID-19 liquidity stress impact and contingency funding plan
- Considered the composition of the board and the board committees
- Discussed the review of the Chair's effectiveness
- Received a detailed presentation on workforce engagement, including key themes and actions
- Considered the AGM results.

BOARD ACTIVITIES
CONTINUED

2020

November

- Considered an update on the impact of the COVID-19 pandemic, and the actions taken in respect of our employees, clients and communities.
- Interrogated an update on the UK structured products book
- Approved the financial results for the half year ended 30 September 2020
- Approved an interim dividend
- Approved the Investec plc recovery and resolution plan
- Approved the Investec plc ICAAP and ILAAP
- Discussed the review of the Chair's independence
- Considered the succession plan for the board
- Approved the Conflicts of Interest Policy.

December

- Discussed progress against the group's strategic objectives
- Reviewed the group's key strategic initiatives
- Analysed an update on the group's financial outlook
- Considered proposals in regards to the strategies for the group's principal operating subsidiaries
- Evaluated potential strategic options for the group
- Considered cultural transformation initiatives
- Received an update in respect of the group's governance framework
- Discussed shareholder and stakeholder matters.

2021

February

- Received an update on the group's performance and operating environment
- Interrogated an update on risk and operations
- Discussed an update from management on the restructure of IBP, including the impact of the redundancy programme on employees
- Considered the succession plan for the leadership team
- Received an update from the board sub-committee on the succession process for the Chair
- Discussed the outcome of the annual board effectiveness review and agreed actions arising from it
- Discussed an update from management on the group's conduct, culture and values
- Approved the Investec plc and IBP risk appetite and policies.

March

- Received an update on the group's performance and operating environment
- Discussed progress against the group's key strategic initiatives
- Interrogated an update on the UK structured products book
- Approved the 2021/22 budget and operating plan
- Considered the appropriateness of the pre-close briefing statement
- Considered the succession plan for the board
- Approved the Board Governance and Diversity Policy.

BOARD ACTIVITIES
CONTINUED

How the board engages with our stakeholders

Purpose-led considerations
We believe that effective governance enables us to deliver our purpose, vision and strategy.

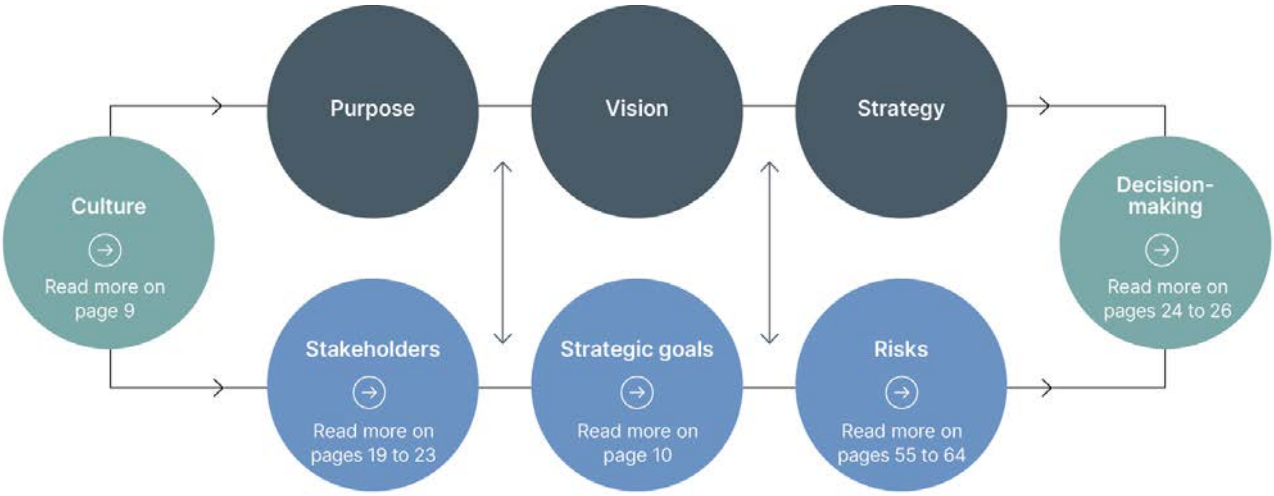
During the year, given the impact of the COVID-19 pandemic, the board has focused on protecting the health and well-being of our people, and supporting our clients, communities, and other stakeholders. At the same time, it has ensured that the group remains secure and resilient, both financially and operationally.

The challenges posed by the COVID-19 pandemic required us to consider how to balance decisions in a way that optimises our strategy, accounts for the interests of all our stakeholders, and supports the promotion of our purpose and unique culture.

Achieving this balance demands a board that prizes constructive challenge, openness and diversity and is committed to act fairly and in the interests of all our stakeholders.

The views, perspectives and insights of our key stakeholder groups are influential factors that are considered whenever we make key operational, investment and business decisions.

Further information about our key stakeholder groups, including our consideration of shareholder and wider stakeholder interests in the board's decision-making processes are set out in the section 172(1) statement on pages 19 to 28.



Workforce engagement
The recognition that our people are vital to the delivery of the group's strategy is reflected by the board's extensive engagement with employees during the year.

The board agreed its approach to workforce engagement in 2019, as detailed in last year's annual report, and this has remained unchanged.

Philip Hourquebie, our designated non-executive director responsible for workforce engagement for the group, continues to meet with the designated non-executive directors for IBP (Moni Mannings) and IW&I UK (Cath Thorpe) on a quarterly basis.

A workforce engagement report is prepared, comprising a summary of the board and management's employee engagement activity, the key issues raised by employees, and the actions undertaken to address those issues.

During the year, our workforce engagement reports covered all matters related to employee engagement, including strategy, culture, remuneration and our response to the COVID-19 pandemic.

Our employee engagement activity across our geographies, has intensified in the past year, despite face-to-face contact being severely limited by COVID-19. With the addition of further communication sessions with management, and increased distribution of our online employee magazine, Inside Track.

Management subsequently report the engagement activities to their respective boards, with the designated non-executive director highlighting the matters of interest from our people to support the key decision-making of their respective boards.

A number of issues identified by workforce engagement activities were invaluable in informing board discussions and decisions. These included decisions taken regarding the future of work, such as our workplace solutions and working practices going forward, belonging, inclusion and diversity, our Employment Equity Plan, and the progress of key strategic initiatives, including One Investec and our client-led strategy for IBP.

The board also agreed various measures of support for employees in response to the COVID-19 pandemic, including the prioritisation of employee well-being, with additional digital resources being made available to support our people.

Further information on the board's engagement with our workforce can be found on page 20.

Board effectiveness

The board's annual effectiveness review, which is facilitated externally at least once every three years, provides an opportunity for the board to reflect, and to consider ways of identifying greater efficiencies, maximising strengths and highlighting potential areas of further development, to enable the board to continue to enhance its own performance.

An external effectiveness review was last conducted in 2018, facilitated by Professor Robert Goffee, an external governance specialist, with internal reviews conducted in 2019 and 2020. The 2021 review is currently expected to be externally facilitated, with the DLC Nomdac taking responsibility for identifying an external facilitator.

Below, we outline the various stages of the 2020 internal review.

Stage 1
The DLC Nomdac, with the assistance of the company secretaries, prepared a self-assessment questionnaire, which was distributed digitally to all the directors for completion. The questionnaire sought the directors' views on a range of topics including: the performance and effectiveness of the board and the board committees; the balance of skills, knowledge, experience and diversity; board composition and size; the quality and timeliness of information; strategy; planning and performance; culture; and the company secretarial support for directors and committees.

Stage 2
The Chair held a one on one meeting with each of the directors. These meetings were to discuss the responses to the questionnaire, and to provide the opportunity to raise any other matters pertaining to the board or the board committees.

Stage 3
A report was prepared by the company secretaries, based on the results of the questionnaire and the matters raised in the meetings with the Chair.

The draft report was then discussed with the Chair, who's feedback was incorporated into a final discussion paper for onward circulation.

Stage 4
The final report was presented to the board in February 2021, following its consideration by the DLC Nomdac.

A thorough review and discussion took place, with actions agreed for implementation and monitoring.

Board review insights
The review identified the particular strengths of the board to be its collaborative nature, and the level of constructive challenge provided.

From a development perspective, the review highlighted certain areas of focus that would further improve the effectiveness of the board. These were considered by the board and an appropriate action plan agreed.

Committees
The board committees were also reviewed and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous manner in which they addressed any issues brought to their attention.

Chair
The Chair was considered to provide robust leadership for the board, and to strengthen the link between the executive and non-executive members of the board.

Board action plan

The board action plan for 2021/22 includes:
- Enhancing the role that the board plays in respect of culture
- Increasing the level of diversity on the board
- Supporting greater strategic and forward-looking discussion
- Increasing the focus given to succession planning.

Stages of the board review

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT

Perry Crosthwaite
Chair of DLC Nomdac

Key achievements in 2020/21
- Recommended the appointments of Stephen Koseff and Richard Wainwright to the board
- Monitored the progress of ongoing chair succession plans
- Considered the succession plans for the board and senior management
- Reviewed the skills, knowledge, experience and diversity of the board
- Considered the board effectiveness review and training.

Areas of focus in 2021/22
- Consider the succession plans for the board and senior management
- Review the composition of the board and the principal board committees
- Review the skills, knowledge, experience and diversity of the board
- Coordinate the external facilitation of the board effectiveness review.

Members	Member since	Meetings attended	Eligible to attend
Perry Crosthwaite (Chair)	16 Apr 2017	6	6
Zarina Bassa	1 Apr 2017	6	6
David Friedland[1]	16 Sep 2014	5	6
Philip Hourquebie	15 May 2018	6	6
Lord Malloch-Brown	15 May 2018	6	6
Khumo Shuenyane	15 May 2018	6	6
Peter Thomas[2]	9 Sep 2010	3	3

1. Unable to attend due to another business commitment. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the committee.
2. Peter Thomas was the representative of IBL. He stepped down from the committee, on retiring from the IBL board on 6 August 2020.

Introduction
The role of the DLC Nomdac (the committee) centres on people matters, which ultimately determine the success or otherwise of every corporation. The work we undertake ensures that we have a strong leadership in place, with diverse and relevant operational experience, to enable the group to fulfil its purpose and execute its strategy.

Role and responsibilities
The role of the committee is to keep the board's composition, skills, experience, knowledge, independence and succession arrangements under review and to ensure that appropriate procedures are in place for nominating, training and evaluating directors. Due regard is given to the benefits of diverse senior leadership, including diversity of thought, gender, social background and ethnicity.

The committee reports to the board on how it discharges its responsibilities and makes appropriate recommendations to the board. The committee's terms of reference can be found at www.investec.com.

Membership and attendance
To ensure a broad representation of experienced and independent directors, membership of the committee currently comprises the Chair, the senior independent director (who is also the chair of the DLC Audit Committee), the chairs of each of the DLC BRCC, DLC Remuneration Committee and DLC SEC, and the Chair of the IBL board.

As IBL does not have an independent nominations and directors' affairs committee, it was agreed that a representative of IBL be a member of the committee. Peter Thomas previously acted as the IBL representative, until he stepped down from the IBL board in August 2020. Khumo Shuenyane, the chair of IBL, continues to serve on the committee as the IBL representative.

As announced in June 2021, following his appointment to the board, Brian Stevenson was appointed a member of the committee.

Details of individual attendance at the meetings held during the year are set out above.

More information on the skills and experience of all committee members can be found on pages 119 to 121

Succession planning
During the year, the committee continued to focus on succession planning, with consideration given to the planned board retirements and the impact of these on the membership of the board and its committees, including oversight of the planned transition. The committee's ongoing review of the structure, size and composition of the board and its committees helps ensure that the appropriate mix of knowledge, skills, experience and diversity is maintained.

As indicated in last year's report, Ciaran Whelan joined the board in April 2020, David van der Walt stepped down from the board in June 2020, and Ian Kantor stepped down from the board at the AGM in August 2020.

As announced in July 2020, Stephen Koseff joined the board in September 2020, as a non-executive director. Stephen brings extensive financial services experience, and his risk and strategic acumen will add to the board's capabilities.

As announced in June 2020, Richard Wainwright joined the board as an executive director in September 2020.

As announced in March 2021, Charles Jacobs will step down from the board in June 2021, and Lord Malloch-Brown will not stand for re-election at the AGM in August 2021.

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT
CONTINUED

The committee remained committed to ensuring the board maintained an appropriate range of skills on the board, following their departure, with a specific focus on potential candidates with ESG experience and/or knowledge of regulatory standards. We undertook a full search of potential candidates, using this brief, in order to capture the clear benefits of diversity of background and opinion.

On the conclusion of this search, the committee is pleased to acknowledge the appointments of Nicky Newton-King, Jasandra Nyker and Brian Stevenson to the board, as independent non-executive directors. Nicky brings significant regulatory and business expertise given her background as the chief executive of the JSE Limited, and knowledge of ESG matters. Jasandra will also enhance the collective skills and knowledge of the board, with her extensive experience in the renewable energy sector. Whilst Brian provides substantial strategic, governance and financial services experience.

The committee also recommended the appointment of Khumo Shuenyane as chair of DLC SEC, in place of Lord Malloch-Brown when he steps down from the board, given his complementary skills and experience as an existing member of DLC SEC.

As announced in March 2021, I will also not stand for re-election as chair of the board at the AGM in August 2021.

This report summarises the work done to identify my successor as chair. I am not involved in the process, but I am confident that my successor will benefit from the work of an effective and impactful committee.

Board diversity
I believe that the committee's focus on inclusion and diversity sets the tone and direction for Investec to be an inclusive employer, with diverse teams delivering for the benefit of all of our stakeholders.

Further details on our Board Governance and Diversity Policy can be found on page 125

Board effectiveness and training
The committee oversees the board effectiveness review, and assesses the feedback from the evaluation process.

Full details of the board effectiveness review, including the evaluation of the committee's effectiveness, are provided on page 131

The 2021 board effectiveness review is currently expected to be facilitated externally, in line with the recommended approach set out in the UK Corporate Governance Code.

The committee also oversees the training undertaken by and the development of the board, and of the directors of the group's principal subsidiaries.

Conflicts of interest and independence
Each director has a duty to disclose any actual or potential conflict of interest, as defined by law, for consideration and approval if appropriate by the board. This is supported by the committee's review of the register of directors' interests and its annual assessment of director independence.

Based on its assessment for the year, the committee is satisfied that, with the exception of Stephen Koseff who was appointed as a non-independent non-executive director, all the non-executive directors remained independent in character and judgement.

The committee, and the board, gave specific consideration to the continuing independence of myself, Philip Hourquebie, Charles Jacobs, Ian Kantor and Stephen Koseff as detailed on page 126.

In recommending directors for election and re-election at the AGM, the committee, through the board effectiveness review, has considered the performance of each of the directors and their ability to continue meeting the time commitments required. We have taken into consideration individual capabilities, skills and experience, and any potential conflicts of interest that have been disclosed. The external roles held by all directors were considered to be appropriate.

Further details of our Conflicts of Interest Policy can be found on page 153

Governance
As part of our broader governance responsibilities, the committee considered regular updates on developments in corporate governance, and also considered correspondence with shareholders.

PKO Crosthwaite

Perry Crosthwaite
Chair, DLC Nomdac
23 June 2021

Chair succession
Following the announcement of Perry Crosthwaite's intention to step down from the board, the board initiated a search process to find his successor.

A sub-committee, comprising Charles Jacobs (chair), David Friedland, Lord Malloch-Brown and Khumo Shuenyane, was established to lead the process. All of the members of the sub-committee are independent non-executive directors, and free of any potential conflicts of interest.

Odgers Berndtson were appointed to assist the sub-committee in identifying a diverse list of potential candidates with the experience and personal qualities to become chair.

Odgers Berndston do not have any connection to the group or any of the directors other than to assist with the searches for executive and non-executive talent.

Charles Jacobs kept the board and the committee informed on progress, with regular discussions held throughout.

A long list of candidates, including internal and external candidates, was considered and was narrowed down to a diverse short list.

The members of the sub-committee held interviews with the potential candidates, to assess their suitability for the role.

At the conclusion of these interviews, the sub-committee made a recommendation to the committee.

The committee considered the recommendation of Philip Hourquebie as the successor to the Chair, and prepared a recommendation to the board accordingly.

The board considered the proposal, and agreed that Philip be appointed as the Chair, when Perry steps down from the board. It was considered that Philip was the most suitable candidate for the role, given his knowledge, skills and experience, in particular, his knowledge of the group through his time on the board, his good working relationship with the executive, and his extensive experience of engaging with our stakeholders, through his role as Chair of the DLC Remuneration Committee.

DLC NOMINATIONS AND DIRECTORS' AFFAIRS COMMITTEE REPORT
CONTINUED

What we did in 2020/21

2020

May

- Reviewed the methodology for prescribed officers
- Considered the independence of the non-executive directors
- Recommended the establishment of a remuneration committee for IBL
- Reviewed the corporate governance report
- Considered the board composition of the group's principal operating subsidiaries.

June

- Reviewed the succession plan for the leadership team
- Recommended the appointment of Mark Currie as chief risk officer.

July

- Approved the appointments of Morris Mthombeni and Moni Mannings as members of the DLC SEC
- Reviewed the register of directors' interests
- Discussed the review by Internal Audit of the board's procedures in respect of related parties and conflicts of interest
- Considered the board composition of the group's principal operating subsidiaries.

September

- Recommended the appointment of Stephen Koseff as a non-executive director
- Recommended the appointment of Richard Wainwright as an executive director
- Considered the succession plan for the board
- Approved the appointment of Henrietta Baldock as a member of the DLC Remuneration Committee
- Approved the directors' Conflicts of Interest Policy
- Determined the process to be adopted for the internally facilitated annual effectiveness review.

2021

February

- Considered the composition of the board and board committees
- Considered the succession plan for the leadership team
- Discussed the results of the board effectiveness review
- Considered the board composition of the group's principal operating subsidiaries.

March

- Approved the Board Governance and Diversity Policy
- Discussed the succession plan for the Chair
- Considered the succession plan for the board
- Considered the composition of the board and board committees.

DLC SOCIAL AND ETHICS COMMITTEE REPORT

Lord Malloch-Brown
Chair of the DLC SEC

Key achievements in 2020/21

- Received shareholder support for the group's commitment to carbon neutrality.
- Welcomed the establishment of an ESG Executive Committee.
- Received recognition for publishing our first Task Force on Climate-related Financial Disclosures (TCFD) report.
- Strengthened the membership of the committee with the appointments of Morris Mthombeni and Moni Mannings.
- Maintained our level 1 Broad-Based Black Economic Empowerment (B-BBEE) rating.
- Signed up to the Race at Work Charter.

Areas of focus in 2021/22

- Further monitor the integration of sustainability into business strategy.
- Review progress on climate-related and general ESG disclosures, including the TCFDs, and reporting on our priorities in terms of the UN Sustainability Development Goals (SDGs).
- Review and strengthen the group's ESG and climate-related policies.
- Continue to embed diversity, inclusion and belonging through the value system and senior leadership/decision-making forums.
- Track our progress globally against race and gender targets, the B-BBEE scorecard and employee equity measures.

Members	Member since	Meetings attended	Eligible to attend
Lord Malloch-Brown (Chair)	8 Aug 2014	4	4
Moni Mannings[1]	11 Sep 2020	2	2
Morris Mthombeni[2]	23 Jul 2020	2	2
Khumo Shuenyane[3]	9 Aug 2019	3	4
Peter Thomas[4]	17 May 2012	2	2
Fani Titi	12 Mar 2019	4	4

1. Moni Mannings is the representative of IBP.
2. Morris Mthombeni is the representative of IBL.
3. Unable to attend due to another business commitment. Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the committee.
4. Peter Thomas was the representative of IBL. He stepped down from the committee, on retiring from the IBL board on 6 August 2020.

Introduction
The DLC SEC (the committee) monitors the group's application of the South African Employment Equity Act, the South African B-BBEE Act and the Financial Sector Code. It monitors our progress in terms of ESG matters, and how we are advancing the UN Global Compact's 10 principles pertaining to business and human rights, labour, environment and anti-corruption, as well as our priorities in terms of the UN SDGs. The work undertaken by the committee ensures that the group is operating in an ethical, compassionate and sustainable manner.

Role and responsibilities
The role of the committee is to:

- Oversee the group's ESG and climate-related policies, processes and response to climate-related matters
- Ensure that the group promotes social and economic development
- Monitor the group's behaviour as a corporate citizen
- Oversee the group’s ethical business practices
- Monitor the group's application of the South African Employment Equity Act, the South African B-BBEE Act and the Financial Sector Code.

The committee reports to the board on how it discharges its responsibilities and makes appropriate recommendations to the board. The committee’s terms of reference can be found at www.investec.com

Membership and attendance
The committee comprises independent non-executive directors and executive directors. Its composition is designed to provide the breadth of experience necessary for effective consideration of the issues that are presented to us. The composition is in accordance with the requirements of the South African Companies Act.

We welcomed two additional members to the committee during the year, Moni Mannings, a non-executive director of IBP; and Morris Mthombeni, a non-executive director of IBL. They further strengthen the skills, knowledge, experience and diversity of the committee. Their appointments also support the promotion of a consistent approach to employment equity, transformation and sustainability matters across our businesses.

As announced in March 2021, I will not stand for re-election at the AGM in August 2021. Given his complementary skills and experience as an existing member of the committee, the DLC Nomdac recommended Khumo Shuenyane to succeed me as chair of the DLC SEC, when I step down from the board in August 2021.

As announced in May 2021, following their appointment to the board, Nicky Newton-King and Jasandra Nyker were appointed as members of the committee.

Details of individual attendance at the meetings held during the year are set out above. More information on the skills and experience of the committee members can be found on page 119 to 121.

Employment equity and transformation
During the year, we continued to focus on staff developments, in particular on equity and inclusion. The group made further progress with our transformation initiatives and employment equity targets, and we remain committed to

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

creating an inclusive environment where everyone can thrive.

The committee oversaw the workplace and workforce analysis as required by Section 19 of the South African Employment Equity Act, including the progress made in terms of our employment equity plan (for the period 2017-2020). We also considered the revised employment equity plan (for the period 2021-2024), which was developed in consultation with the Employment Equity Forum. The primary focus of the plan is on transforming our leadership and decision-making forums.

In January 2021, we submitted our latest employment equity report to the South African Department of Employment and Labour. We were pleased to note that over the past 10 years the group has seen an improvement in the representation of people of colour and women at all occupational levels, with representation at middle management being almost double that of 2011.

Further information can be found in the 2021 Investec group sustainability and ESG supplementary report

Broad-Based Black Economic Empowerment
We monitored the group's compliance with the relevant legislation, and considered its empowerment rating.

The group maintained our level 1 B-BBEE rating, with exemplary scores received in respect of ownership, enterprise development, empowerment financing, supplier development, socio-economic development and consumer education. We also improved our procurement score, compared with the previous year, due to the work done to ensure that the suppliers selected for the renovation of our Sandton office met our B-BBEE requirements.

Belonging, Inclusion and Diversity
The committee monitors the group's progress with respect to gender and diversity targets, with the board's commitment to Belonging, Inclusion and Diversity at Investec continuing to be a key strategic objective.

The gender pay gap in our UK bank and wealth businesses has reduced for the third consecutive year, with planned strategies and actions to drive the increase of female representation at senior levels. The gender pay gap reports are available on our website. The group has also signed up to the Women in Finance Charter (UK) and is a member of the 30% Club in South Africa and the UK.

In 2020, the group signed up to the Race at Work Charter (UK), which calls on organisations to deliver specific actions, including the appointment of an executive sponsor. In this respect, Ciaran Whelan is accountable for the delivery of the following: capturing ethnicity data and publishing progress, committing at board level to zero tolerance of harassment and bullying, and taking action to support ethnic minority progression.

Further information can be found in the 2021 Investec group sustainability and ESG supplementary report

Good corporate citizenship
Given these difficult times, we are incredibly proud of the manner in which the group has responded to the COVID-19 pandemic, demonstrating continued support of our clients, communities and to the well-being of our colleagues.

The group committed to provide 1% of pre-tax profit to the COVID-19 relief fund. Furthermore, the executive team and board members have donated a portion of their salaries to the Solidarity Fund in South Africa and to other initiatives in the UK.

Further details on the board's engagement with our key stakeholders can be found on page 130

Culture and ethics
We oversaw the group's activities from the perspective of the ethical business principles, with programmes offered to enhance our core values, which include unselfishly contributing to society, valuing diversity and respecting others.

Given the significant and far-reaching change within the group in the past year, the group undertook a process of collective reflection with the aim of articulating our purpose, to ensure that we remained true to the values upon which Investec was built. As identified in the chief executive report, we arrived at the following purpose statement: We exist to create enduring worth, living in, not off, society.

Further information on our culture, purpose and values can be found on page 9.

Climate change
The impact of climate change on our business and also the impact of our activities on the environment have been a key focus in the past year.

The board recognises that climate change represents a material financial risk, which is monitored by the DLC BRCC.

At the 2020 AGM, we were pleased to receive shareholder support to continue the group's commitment to carbon neutrality.

The committee monitored progress on implementing the Fossil Fuel Policy, which was published at the end of the previous financial year. The policy covers coal-fired power generation, coal mining, and oil and gas in all our operations. It emphasises that the transition to a low carbon economy needs to be done in a just and orderly way and in consideration of a variety of financial, socio-economic and environmental factors.

We have monitored the group's progress on key metrics in respect of climate change as well as its commitment to supporting the transition to a clean and energy-efficient economy. We were pleased to see that the group maintained its commitment to net-zero Scope 1 and 2 direct emissions for the second consecutive year.

We joined the Partnership for Carbon Accounting Financials, which gives the group access to international best practice and allows us to be actively involved in the formulation of financial carbon reporting methodology.

ESG
To support the integration of sustainability considerations into our business strategy, we have embedded an ESG screening process for prospective deals. Management also held an offsite meeting in September 2020 to discuss our progress in respect of the SDGs.

We welcomed management's decision to constitute an ESG Executive Committee. This will coordinate ESG efforts across our geographies and businesses and help the group to deliver profitable, impactful and sustainable solutions to our clients. We also welcomed the launch of a number of sustainability-led products and services during the year.

For further information, please refer to the 2021 Investec group sustainability and ESG supplementary report.

Lord Malloch-Brown
Chair, DLC SEC
23 June 2021

DLC SOCIAL AND ETHICS COMMITTEE REPORT
CONTINUED

What we did in 2020/21

2020

May

- Monitored progress towards the group's employment equity plans
- Reviewed the group's progress in relation to the Youth Employment Service (YES) initiative
- Welcomed the appointment of Fani Titi to the UN Global Investors for Sustainable Development Alliance
- Discussed the group's response to the COVID-19 pandemic, in particular the actions taken to support employees, communities, clients and suppliers.

July

- Reviewed the group's progress in respect of its people and transformation initiatives
- Considered the group's empowerment rating
- Monitored progress towards achieving the group's SDG priorities
- Discussed the TCFD reporting requirements.

September

- Reviewed the group's progress in respect of its people and transformation initiatives
- Received a detailed update on the work undertaken by the Employment Equity Forum
- Acknowledged that the group had signed up to the Partnership for Carbon Accounting Financials, the World Benchmarking Alliance, the UN Environment Programme Finance Initiative and the UN Principles for Responsible Banking
- Considered the ESG opinions delivered by the ESG Committee
- Discussed the group's response to the COVID-19 pandemic
- Received an update on the matters considered at the ESG offsite meeting.

2021

March

- Reviewed the group's progress in respect of its people and transformation initiatives
- Considered the 10-year view of the progress made by the group regarding employment equity
- Monitored progress towards achieving the group's SDG priorities
- Discussed the TCFD disclosures.

INVESTEC PLC AUDIT COMMITTEE REPORT

Zarina Bassa
Chair of the Investec plc Audit Committee

"The Committee believes that audit quality is essential to the fulfilment of the objectives of an effective and credible external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information."

Members	Member since	Meetings attended	Eligible to attend
Zarina Bassa (Chair)	1 Nov 2014	6	6
Philip Hourquebie	14 Aug 2017	6	6
Philisiwe Sibiya	9 Aug 2019	6	6

Introduction

The Investec plc Audit Committee (the Committee) is pleased to present its report for the financial year ended 31 March 2021. This report is intended to provide details on how the Committee satisfied its various statutory obligations, as well as on the key audit matters considered during the period. The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2020/21 annual report and financial statements.

This report has been prepared based on the requirements of the UK Companies Act (the Companies Act), the UK Corporate Governance Code 2018 (the Code), the UK Listings Rules and other applicable regulatory requirements.

COVID-19 pandemic

The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and business across all industries. There is a significant degree of uncertainty about the further spread of the virus, the timing and the effectiveness of the vaccine roll out and the further impact it will have on the world economy.

COVID-19 was a significant area of focus for the Committee during the year, specifically evaluating the impact of the pandemic on the:

- Integrity of internal controls
- Going concern and the viability statement of Investec plc
- Expected credit loss (ECL) assessment
- Impairment of investments not measured at fair value
- Fair value measurement of complex/ illiquid assets
- Impact on the quality of earnings

Against this backdrop, Investec plc remained profitable and capital ratios remained strong. Furthermore, liquidity within Investec plc continued to be managed at conservative levels. Asset quality remained good, with Investec plc active in providing COVID-19-related relief to clients where considered appropriate from an ongoing risk management and client relationship perspective.

Audit quality and independence

Business failures throughout global economies continue to place an increased focus on auditor independence, integrity, sufficient levels of professional scepticism of external audit, audit quality reviews and other oversight mechanisms.

The Committee treated this as a key audit matter and accordingly critically evaluated audit quality, effectiveness, independence and audit rotation requirements.

The Committee believes that audit quality is essential to the fulfilment of the objectives of a credible and effective independent external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information.

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Role of the Committee

The Committee is an essential part of Investec plc's governance framework to which the board has delegated the following key functions:

- Overseeing Investec plc's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Reviewing Investec plc's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of Investec plc's internal audit functions
- Oversight of group compliance.
- Overseeing Investec plc's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with Investec plc's external auditors, including the quality control, effectiveness and independence of the external audit function
- Approving the fees to be paid to external auditors.
- Managing the level and nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside Investec regarding accounting, reporting and financial control

Further detailed responsibilities are in the terms of reference of the Committee as available on the website www.investec.com.

Committee composition, skills, experience and operation

The Committee is comprised entirely of independent non-executive directors who meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nominations and Directors' Affairs Committee (Nomdac), which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the Committee has the appropriate balance of knowledge and skills to discharge its duties. Further details of the experience of the members can be found in their biographies on pages 119 to 121.

The Investec Group Chief Executive, the Investec group chief financial officer, the Investec group chief operating officer (COO), the Investec group chief risk officer (CRO), head of internal audit, the subsidiary compliance officers and chief financial officers and representatives from the external auditors are invited to attend all meetings. Other members of management are invited to attend meetings to provide the Committee with greater insights into specific issues or areas of Investec plc.

The Chair has regular contact with the management team to discuss relevant matters directly. The internal and external auditors have direct access to the Chair, including closed sessions without management during the year, on any matter that they regard as relevant to the fulfilment of the committee's responsibilities. The Chair meets with internal audit and the external auditors prior to Audit Committee meetings and at other times as considered necessary by either party prior to Committee meetings

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 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 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 board has mandated authority to the IBP Audit Committee and the IW&I (UK) board has mandated the IW&I (UK) Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees report to the Investec plc Audit Committee. The IBL board has mandated authority to the IBL Audit Committee and the IW&I (South Africa) board has mandated the IW&I (South Africa) Audit Committee to be the Audit Committee of the companies and their subsidiaries. IBL and IW&I (South Africa) Audit Committees report to the Investec Limited Audit Committee.

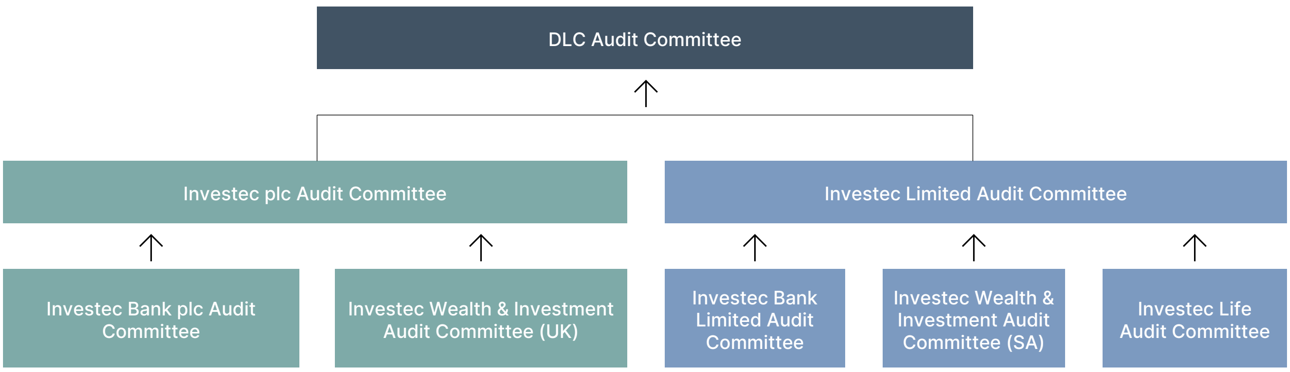
The Committee receives regular reports from Investec plc's subsidiary audit committees as part of the oversight of subsidiary audit committees.

The Chair is also the chair of the following Audit Committees:

- Investec group
- Investec Limited
- Investec Bank Limited
- Investec Bank Mauritius (IBM).

The Chair is also a member of the following Audit Committees:

- Investec Bank plc (IBP)
- Investec Life
- IW&I (UK) Audit Committee.



INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the Investec plc Audit Committee
During May and November, meetings were held to approve financial results. These meetings were held at a DLC group level and were classified as DLC Audit Committee meetings. The DLC Audit Committee result meetings were supplemented by dedicated meetings of the IBP and IW&I (UK) Audit Committees.

The following is a summary of the meetings held by the Committee during the financial year.

2020

June

- Received updates in respect of outstanding matters to be considered in the finalisation of the Investec plc results including:
- – Macro-economic scenarios and weightings into the IFRS 9 ECL models
- – Key valuations
- – Audit status and key findings
- Discussed and approved the financial results for the year ended 31 March 2020
- Received confirmation from Investec plc board committees that they have signed off on their respective reports contained in the 2020 integrated annual report
- Received confirmation that the relevant International Financial Reporting Standards (IFRS) and UK Listings Rules disclosure checklists had been completed in respect of the 2020 integrated annual reports of Investec plc for the year ended 31 March 2020
- Considered the schedule of remaining audit differences
- Received and considered an updated report from external audit on the conduct and conclusions of the audit
- Assessed and approved the going concern assessment and the viability statement through a joint session with the DLC Board Risk and Capital Committee (BRCC)
- Considered the effectiveness of the finance function and chief financial officer, effectiveness of the external audit function and the re-appointment of the external auditors
- Discussed audit quality and the results of cross-reviews

September (Two meetings were held)

- Received confirmation from assurance providers that no matters were identified which could have an impact on the interim results of Investec plc
- Received an update from all Investec plc subsidiary audit committees
- Received an update from group compliance
- Considered the impact of significant judgements and estimates on the the pre-close statement
- Considered the appropriateness of the pre-close announcement for the half year ended 30 September 2020

July

- Deliberated the way forward in terms of auditor rotation for Investec Limited and Investec group, with input from the executive team
- Put into place a process for audit firm rotation
- Considered the appointment of new external auditors to commence shadowing one of the current joint auditors of Investec Limited commencing during FY 2022
- Received an update from group compliance
- Held a discussion with the global leadership of our joint audit firms on audit and reputational issues in the media

2021

February

- Received an update from group compliance
- Reviewed a report stipulating the process followed by the group to support the CEO and CFO control attestation to be included in financial statements
- Reviewed and discussed Key Audit Matters (KAM) for the financial year

March

- Received confirmation from assurance providers that no matters were identified which could have an impact on the annual results of Investec plc that had already been considered
- Received and considered a report in respect of the effects of climate-related matters on financial statements, in particular accounting and disclosures
- Received an update from group compliance
- Considered and reviewed applicable macro-economic scenarios, ECL's and overlays in a joint DLC BRCC meeting held
- Considered the appropriateness of the pre-close announcement for the financial year ended 31 March 2021

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the Investec plc Audit Committee
Key audit matters
Key audit matters, are those matters that in the view of the Committee:

- 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.

Common membership of the DLC, Investec plc, Investec Bank plc, Investec Ltd and Investec Bank Limited Audit Committees ensures that key audit matters and matters of mutual interest are communicated and addressed, where applicable. The members of the Committee may also attend other audit committee meetings, as appropriate.

The following key audit matters were deliberated by the Committee during the year:

Key audit matters	What we did
Impact of COVID-19 • The COVID-19 pandemic impacted the global economy and businesses across all industries	• Considered the known accounting and operational impact of COVID-19 on the economy and business, mitigating steps and the resulting impact on the applicability of the macro-economic scenarios and 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 – ECL assessment (IFRS 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality and retail and property) – Impact on quality of earnings – Impact of work from home on the overall control environment and operational risk – The financial control environment Fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures. Steps taken by the Committee to consider these disclosures are specifically addressed below
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 Investec plc, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 31 March 2021 • Challenged and debated significant subjective exposures and assumptions including: – The valuation principles applied for 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 – The appropriateness of the IFRS 13 disclosures regarding fair value • Considered the appropriateness of the valuation principles and inputs applied to determine the fair value of loans in the aviation industry • This matter was extensively covered and reported on by sub-audit committees
Accounting for equity-linked notes and deposit products issued by the Structured Products Desk in the UK • Investec previously issued 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 accounting treatment and disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied • Received confirmation from internal and external audit on the appropriateness of the control measures and the accounting treatment • Received regular feedback from management on the active management of the underlying risk of the portfolio • This matter was extensively covered and reported on by sub-audit committees

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Investments in associates • Evaluated the appropriateness of the carrying amount of investments in associates	• Received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across Investec plc, 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 Investec plc has adequate resources to continue in business for the foreseeable future	• Considered reports on Investec plc'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 analyses based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec plc to continue as a going concern • Jointly with the DLC BRCC, assessed the reasonableness of and approved the Viability Statement based on three-year capital plans produced by management
ECL assessment • The appropriateness of the allowance for ECL 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, model methodology and assumptions applied to calculate the ECL provisions held by Investec plc • Reviewed and monitored Investec plc’s calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, and volatility. Specific review and consideration were given to the macro-economic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions • 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, and exposures which were specifically affected by the negative current macro-economic environment • Reviewed the results of extensive benchmarking carried out by INP management on the credit loss ratio (CLR), economic scenarios applied and the coverage ratio compared to relevant peer banks. Concluded that the INP overall ECL position appeared to be reasonable compared to the industry • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • Assessed the appropriateness of the ECL provision raised by Investec plc for large exposures in entities publicly perceived to be in financial distress • Reviewed the appropriateness of the ECL models and the forward-looking macro-economic scenarios applied. The Committee further evaluated the appropriateness of the management ECL overlay

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Cyber reporting, IT systems and controls impacting financial reporting	• Received and reviewed reports and controls in respect of cyber reporting, IT systems and controls impacting financial reporting • Received regular minutes and reports from the DLC IT Risk and Governance Committee
External audit, audit quality and audit firm rotation	• Managed the relationship with the external auditors including their re-appointment • Deliberated the way forward in terms of auditor appointments with input from the executive team. Put into place a process for audit firm rotation • 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 meeting to discuss the 2020/21 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 regulator inspections of the firm and individual partners • Met with Ernst & Young global leadership to discuss regulatory investigations across members firms to assess the impact on audit quality, if any, for Investec • Discussed external audit feedback on the Investec plc'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 external auditors' draft report on specific control areas and the control environment ahead of the 2021 financial year end • The Committee approved the external audit plan, audit fee and the main areas of focus

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters considered by the Investec plc Audit Committee:
The Committee considered the following matters during the financial year ended 31 March 2021:

Other matters	What we did
Regulatory compliance and reporting	• Received regular reports from the regulatory compliance function 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 of the internal and external auditors or 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 plc operates in as well as on specific sectors
Fair, balanced and understandable reporting • The group is required by the UK Corporate Governance code to ensure that its external reporting is fair, balanced and understandable, and to consider whether it provides the information necessary for stakeholders to assess Investec plc's position and performance, business model and strategy • Reviewed the outcomes of the combined assurance coverage model as discussed below	• The Committee undertakes an assessment on behalf of the board, 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 • Reviewed the accounting treatment of key judgements and the quality of earnings assessment • 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 and considered the level of and conclusion on the summary of audit differences • The Committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2021 were appropriate in ensuring that those statements were fair, balanced and understandable • The Committee recommended to the board that the 2021 annual report and financial statements were fair, balanced and understandable
Combined assurance model	• Satisfied itself with the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of risk management, operational risk, legal, regulatory compliance, internal audit, external audit and other external assurance providers. Satisfied itself with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks • Reviewed the year-end conclusions from internal audit on internal control, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year • Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year-end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
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 IBP 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 Investec plc's subsidiaries • Evaluated the impact of work from home on the overall control environment and operational risk • Evaluated reports on the internal control environment from the internal and external auditors • Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the group's IT controls. Considered updates on key internal and external audit findings in relation to the IT control environment • Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage • Evaluated reports on cybersecurity within Investec plc • Reviewed and evaluated the work performed by management to support the control attestation to be made by the chief executive and CFO
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans	• Received regular reports from the subsidiary audit committees • Assessed reports on individual businesses and their control environments, 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
Finance function	• Discussed and concluded that the finance functions of Investec plc and its subsidiaries was adequately skilled, resourced and experienced to perform the financial reporting for the group • Concluded that the Investec group chief financial officer Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position
IFRS	• The 2019 annual financial statements of Investec group were subject to a JSE pro-active monitoring review and a review by the Financial Reporting Council (FRC) during the current year. The outcome of the reviews confirmed compliance with IFRS and regulatory disclosure requirements • Reviewed various accounting papers prepared by group finance addressing subjective accounting treatment and significant accounting judgments
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 Investec related party policies are being complied with

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

Other matters	What we did
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 assessments, methodology and 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 by management • Received regular reports from internal audit on all significant issues identified • Monitored delivery of the agreed audit plans, including assessing internal audit resources • Tracked high and moderate risk findings, and monitored related remediation 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 • Monitored audit quality in relation to internal audit • Approved the internal audit plans, methodology and deliverables • Confirmed that it was satisfied with the performance of the internal audit function • Discussed and considered the internal audit quality assurance programme. The internal audit quality assurance programme 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) • Discussed and considered the quality assurance programme. The quality assurance programme 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 programme • The results of the post engagement quality assurance programme inform any training interventions required within the team, and the results are consolidated and presented to the Audit Committee on an annual basis • Reviewed the Engagement Quality Assurance Review (EQAR) conducted by an external provider during 2020, with no material issues impacting the reliance on the internal audit function. Tracked the progress of remediation of improvement plans as discussed and approved in a workshop with the Audit Committee and executive • 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 of Internal Audit • Had a closed session of the Audit Committee with internal audit without management present
Uncertain tax and other legal matters • Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions	• Received regular updates from 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 the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the International Accounting Standards (IAS) 37 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

INVESTEC PLC AUDIT COMMITTEE REPORT
CONTINUED

External audit

Non-audit services

Investec plc implemented an updated policy on the engagement of the external auditors to provide non-audit services, to align with the FRC's revised Ethical and Auditing Standards. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and services requiring specific approval by the Committee.

Total audit fees paid to all auditors for the year ended 31 March 2021 was £6.5 million (2020: £8.6 million), of which £0.3 million (2020: £2.8 million) related to the provision of non-audit services. The non-audit services were in respect of services typically provided by the auditor, for example, regulatory audits.

Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment.

Based on the above mentioned policy and reviews, the 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

Reviews in respect of audit quality took place between the committee and Ernst & Young LLP.

The following was covered during these discussions:

- Transparency reports and reviews by the firm covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria
- Any reputational, legal or impending legal issues impacting the firm, including the implications of publicly observable information from regulatory investigations
- 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 the partners and managers, including their relevant audit experience, were reviewed
- Details in relation to the 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 FRC
- The results of the latest individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of the partner
- 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 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 audit may only be employed by the group after a cooling-off period
- The lead partner, Manprit Dosanjh, commenced his five-year rotation period in 2019
- 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 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 additional cross-reviews by the Investec Limited and Investec plc auditors across the Investec group supported by partner rotation
- Limitations on delivering 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 committee.

Audit 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 commence during 2022 with the incoming audit firm to perform the first audit for the financial year starting 1 April 2024.

Re-election of auditors

The Committee has considered the following in proposing the appointment of external auditors:

- 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.

In line the guidance provided in the FRC guide on audit committees, the Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

The board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2021.

Looking ahead

The role of the Committee will remain focused on:

- Ensuring the effective functioning of Investec plc’s financial systems, processes, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS and other regulations
- The appointment of an external audit firm as part of audit firm rotation
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business
- 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 of Investec plc
- Continue to exercise oversight over subsidiary audit committees
- Monitoring developments in respect of the proposed reforms to the UK audit industry and corporate governance regime.

Zarina Bassa
Chair, Investec plc Audit Committee
23 June 2021

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT

David Friedland
Chair of DLC BRCC

"This was indeed a challenging year. By working closely with management, the risk functions and the three lines of defence, the committee was comfortable that the risks presented by COVID-19 and Brexit were properly managed."

Members	Member since	Meetings attended	Eligible to attend
David Friedland (Chair)	13 Sep 2013	6	6
Zarina Bassa	14 Nov 2014	6	6
Perry Crosthwaite	9 Nov 2018	6	6
Nishlan Samujh	8 Aug 2019	6	6
Philip Hourquebie	17 Aug 2017	6	6
Khumo Shuenyane	16 Jan 2015	6	6
Henrietta Baldock	9 Aug 2019	6	6
Philisiwe Sibiya	9 Aug 2019	6	6
Fani Titi	11 Mar 2011	6	6
Stephen Koseff[1]	17 Sep 2020	4	4

1. Stephen Koseff was appointed as a member of the Committee on 17 September 2020.
Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the Chair of the Committee.

Introduction
As the Chair of the DLC BRCC (the Committee), I am pleased to present our report for the financial year ended 31 March 2021.

At the outset, I would like to thank and pay tribute to the risk community, digital and technology as well as business units for their commitment and dedication, often during very trying times.

As a Committee, we take comfort that the risk function and oversight are in capable hands.

Role of the committee
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.

As the most senior risk management Committee of the group, our team is an essential part of the governance framework to which the board has delegated the monitoring of the group's activities in relation to risk and capital management.

We 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 the existence of a robust culture supported by oversight and management of information.

We also consider whether the resources allocated to the risk management functions are adequate for effectively managing the group's risk exposures.

The Committee is the appointed board committee to meet the requirements of the Capital Requirements Directive and Regulation (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. The Committee's terms of reference can be found at www.investec.com.

Composition
The Committee comprises executive and non-executive members, with our composition designed to provide the breadth of risk expertise and commercial acumen to fulfil our responsibilities. An independent non-executive director, I Chair the committee and am also a member of the IBP BRCC. This arrangement ensures the interconnection between the group and its principal subsidiaries.

COVID-19
The pandemic has brought significant human, social, economic and business uncertainty. From the earliest days, the group took steps to understand and mitigate the risks posed by and the impacts arising from the ongoing situation.

Comprehensive reviews of the impact of COVID-19 on all business areas were conducted, with particular focus on the risks emerging within Structured Products, Aviation, Property and Hospitality.

The structured products book in the UK was a key focus for our committee. The speed of downward movement in the market due to the pandemic, together with the consequent unprecedented and sudden effect of dividend cancellations impacted hedging for all involved in these markets. Regular meetings were held to review and refine the risk management processes related to this book.

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

Working from home
The group adapted well to working from home and managing day-to-day business, including employee well-being, operational resilience and client relationships. Our committee continuously reviewed all risks associated with working from home.

The committee reviewed and approved the capital plans for Investec Bank plc under various stress scenarios. Capital ratios have remained sound throughout the financial year.

We also reviewed and approved Investec Bank plc's and Investec plc's risk appetites. This followed a robust annual review process that included evaluating the risk appetite frameworks in the context of the group's business strategy, and the regulatory and economic environment in which the group operates. The review culminated in a downward adjustment for certain sectors which were regarded as significantly higher risk due to the impact of COVID-19.

We deliberated extensively on the proposed stress scenarios for the Internal Capital Adequacy Assessment Process (ICAAP) and agreed that a more severe stress test should be established combining the impact of a second wave of COVID-19 and Brexit. Subsequently, the Investec Limited and Investec plc ICAAPs were recommended for approval to the DLC board.

A deep dive session was convened by the IBP BRCC to discuss Investec Bank plc's Internal Liquidity Adequacy Assessment Process (ILAAP), which was escalated to the committee for review. The committee recommended Investec Bank plc's ILAAP for approval to the DLC board along with the Investec plc ILAAP, and both were approved by the board.

Looking ahead
The uncertainty regarding the pandemic makes it difficult to forecast its human, social, and economic effects with any degree of accuracy. The Committee will therefore continue to review management's ongoing responses in order to ensure that the challenges posed by COVID-19 are addressed adequately.

We will continue to apply an intense focus on people, operational and liquidity risks, while at the same time considering resilience and strategy.

We will closely monitor the well-being of our people, including the implications of flexible working arrangements and consequent impact on talent management and morale.

Managing the risk around the Structured Products book will be a key focus area.

We will ensure continued focus on strengthening the risk and control environment. We will pay particular attention to change activity, cyber-security and ensuring IT service continues to meet client demands and support the emerging and ongoing requirements of operational resilience.

In addition, the Committee will remain focused on matters related to the impact of economic conditions on Investec and on assessing the effects of external factors on the group's risk profile. These matters include business resilience, financial crime, the implementation of regulatory requirements, UK Corporate Governance Code, information security, cyber crime and the risks associated with the fast pace of regulatory change.

ESG considerations were expanded in the risk appetite policies and will therefore be a key focus during the year as the reporting on ESG risk is enhanced.

The dialogue between the Committee and its equivalent board subsidiary level committees remains robust.

David Friedland
Chair, DLC BRCC

23 June 2021

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

What we did in 2020/21
The standard and regular agenda items of the committee include comprehensive reports regarding liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud, climate change and IT and cyber risk.

The following section outlines the significant matters addressed and the progress made during the year in respect of these risks.

2020

May
- Reviewed strategies to manage and contain losses resulting from Structured Products
- Received and reviewed a detailed presentation on the business areas and risk impacted by COVID-19, in particular, the group's approach to liquidity management
- Analysed the COVID-19 crisis management plan
- Considered the appropriateness of debt and equity exposure
- Interrogated an update provided on market risk appetite and market risk stress scenarios
- Reviewed the appropriateness of the committee report within the 2020 DLC Integrated Annual Report
- Reviewed and approved the group's viability statement in a joint session with the DLC Audit Committee

July
- Received an update on the outcomes of the strategies for Structured Products
- Challenged the proposed stress scenarios to be used in the 2020 Investec plc ICAAP
- Reviewed the impact on the UK bank should the Bank of England (BOE) decide to utilise a negative interest rate and the operational readiness of the bank's systems
- Considered the appropriateness of the group's operational risk mitigation strategies as a result of COVID-19

September
- Received an update on Structured Products
- Reviewed and recommended the Contingency Funding Plan (CFP) for approval by the boards of Investec plc and Investec Bank plc
- Reviewed the additional stress ICAAP stress scenario as requested by the committee in July
- Reviewed and recommended the approval of the traded market risk appetite by the DLC board
- Interrogated an Investec Bank plc credit risk update

November
- Considered an update on Structured Products
- Reviewed and recommended the approval of the Investec plc ILAAP and Investec plc ICAAP to the DLC board
- Reviewed the appropriateness of the Investec plc Risk Recovery Plan (RRP) and deferred same for consideration at a separate meeting to be held later in the month
- Received an update in respect of the impact of negative rates on Investec plc

2021

February
- Received a report on the current exposures for Structured Products and confirmed the strategies to manage the risk
- Reviewed the Investec Bank plc and Investec plc Risk Appetite Frameworks and recommended them for approval to the DLC board

March
- Reviewed the Investec Bank plc and Investec plc Liquidity Risk Appetite Frameworks, Investec Bank plc Liquidity Stress Testing and the Investec Bank plc and Investec plc Non-Traded Market Risk Appetite Frameworks and recommended them to the DLC board for approval
- Reviewed and approved the Investec plc market risk policies
- Reviewed and approved the Investec plc Trading Book and Model Control Policy
- Reviewed and approved the Group Market Communication and Disclosure Policy
- Reviewed and approved the Investec Bank plc Money Laundering Reporting Officer (MLRO) report

April
- Held a combined DLC BRCC and DLC Audit Committee meeting to challenge the macro-economic scenarios (including weightings) to be applied to the calculation of IFRS impairment provisions

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

COMMITTEE ACTIVITIES

Area of focus	Conclusions and actions
COVID-19 Oversaw the risk in order to support the group's stakeholders throughout the COVID-19 pandemic	• Reviewed and challenged management actions to address the risks ensuring that surplus liquidity and capital buffers were in place to manage the possible negative impact • In conjunction with the DLC Audit Committee, reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant UK peers • Examined any potential or actual fraud losses as fraud risk remained heightened throughout the industry as a result of COVID-19 • Received assurance following management's in-depth review of the credit portfolio that the quality of the book had not materially deteriorated. The committee focused on vulnerable sectors impacted by COVID-19 including aviation, hospitality, entertainment, tourism and property • Focus on operational resilience as the group's operations were largely executed with employees working from home, increasing the reliance on IT and related processes. Assurance was provided that the required controls and oversight were in place and effective • Enhanced oversight of conduct and compliance risk to ensure there were no current or emerging risks that could negatively impact customers
Structured products Closely monitored the Structured Products book following the significant impact of the unprecedented market dislocation and the associated risks	• Reviewed and interrogated the implied volatility, dividend and correlation risks pertaining to the book • Reviewed regular reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective oversight of these matters • Reviewed the mitigants put in place to manage the risk
Recovery and Resolution Plan (RRP) – Investec Bank plc Reviewed the Recovery and Resolution Plan for Investec Bank plc following the implementation of restrictions on the UK bank's operations within the European Union (EU).	• Reviewed the impact on the group including restrictions on the bank's operations and the servicing of clients within the EU and mitigating actions • Reviewed and approved the RRP
Environmental, Social and Corporate Governance (ESG) Increased focus on ESG and climate change in an effort to advance the United Nations Global Compact's (UN GC) 10 principles with respect to business and human rights, labour, environment and anti-corruption	• Noted the publication of a number of policies and statements with respect to ESG and climate change including: – The group Environmental Policy – Investec Sustainability Report – Investec Climate-Related Financial Disclosures • Monitored and reviewed the implementation of the ESG standards as a signatory to the UN GC, instituted General Data Protection Regulation (GDPR), health and safety, diversity, environmental, anti-corruption and corporate governance policies through the IBP BRCC Committee • Discussed the group's exposure to fossil fuels following the publication of the group fossil fuel policy during March 2020 • Received confirmation from management that credit decisions considered financial risks from climate change and that these decisions were being documented

DLC BOARD RISK AND CAPITAL COMMITTEE REPORT
CONTINUED

Area of focus	Conclusions and actions
IT controls & cyber risks Renewed focus on IT Controls and cyber risk due to an increase in cyber crime as a result of the impact of COVID-19	• Received confirmation from management that cyber risks were being effectively managed through our cyber security capability with the penetration testing scheduling process being reviewed to ensure that existing critical applications would be prioritised • Reviewed the protection and management of client and proprietary data across all jurisdictions in order to mitigate against the increased activity and sophistication of cyber criminals • Monitored the implementation of disciplines and remediation of the issues that emanated from the Targeted Attack Simulation (TAS-4) tests conducted in 2019 • Monitored the implementation of remediation processes to mitigate against the reputational and privacy risk of a data breach. This risk will remain high until measures are in place across likely channels of data compromise including email, cloud services, instant messaging, and collaboration tools
Brexit Considered the potential impact and risks arising as a result of the UK leaving the EU	• Reviewed the impact on the group including restrictions on the bank's operations and the servicing of clients within the EU and the mitigating actions • Gained assurance regarding the operational risk and compliance risk considerations from the establishment and roll out of a framework to manage these risks • Challenged the assumed impact of Brexit, and in particular a no-foreign trade agreement (FTA) Brexit which had been input into the economic scenarios • Post Brexit, the committee kept abreast of the regulatory changes resulting from Brexit including the embedding of the Capital Requirements Directive IV and Capital Requirements Regulation in the UK
New top material risks Identified and discussed material risks	• Identified new material risks including: – Operational resilience: key operational resilience regulatory requirements that would need to be structured and met in 2021 which the Investec Bank plc board will be accountable for – Change risk: due to the people and organisational changes, there was an increased risk given the significance of the change and the impact on people and, the working environment as well as on Investec's ability to service clients in line with set standards. Consistent reporting and management of the risk will be required to mitigate its impact on people, the future operating model, loss of institutional knowledge and operational risk losses – COVID-19 relief measures: consistent monitoring of exposure where relief measures were granted

DIRECTORS’ REPORT

The directors' report for the year ended 31 March 2021 comprises pages 117 to 160 of this report, together with the sections of the annual report incorporated by reference.

The directors’ report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

As permitted by Section 414C(11) of the UK Companies Act, some of the matters required to be included in the directors' report have instead been included in the strategic report on pages 4 to 53, as the board considers them to be of strategic importance. Specifically, these are:

- Future business developments (throughout the strategic report)
- Risk management on pages 51 to 53
- Information on how the directors have had regard to the group's stakeholders, and the effect of that regard, on pages 19 to 27.

The strategic report and the directors’ report together form the management report for the purposes of Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

Information relating to financial instruments can be found on pages 196 to 201 and is incorporated by reference.

For information on our approach to social, environmental and ethical matters, please refer to the 2021 Investec group sustainability and ESG supplementary report.

Additional information for shareholders of Investec plc is detailed in schedule A to the directors' report on pages 159 and 160.

Other information to be disclosed in the directors' report is given in this section.

The directors' report fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.3R.

Directors

The membership of the board and biographical details of the directors are provided on pages 119 to 121

Changes to the composition of the board during the year and up to the date of this report are shown in the table below:

	Role	Effective date of departure / appointment
Departures		
David van der Walt	Executive director	4 June 2020
Ian Kantor	Non-executive director	6 August 2020
Appointments		
Ciaran Whelan	Executive director	1 April 2020
Stephen Koseff	Non-executive director	17 September 2020
Richard Wainwright	Executive director	17 September 2020
Nicky Newton-King	Non-executive director	21 May 2021
Jasandra Nyker	Non-executive director	21 May 2021
Brian Stevenson	Non-executive director	22 June 2021

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 AGM.

Company secretary

The company secretary of Investec plc is David Miller.

The company secretary is professionally qualified and has gained experience over many years. His performance is 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 secretary, whose appointment and removal is 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.

Induction, training and development

On appointment to the board, all directors benefit from 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 Chair when designing an induction schedule, giving consideration to the particular needs of the new director. When a director joins a board committee, the schedule includes an induction to the operations of that committee.

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

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

Directors and their interests

Details of the directors’ shareholdings and options to acquire shares are set out on pages 151 to 195 of volume one of the Investec group’s 2021 integrated annual report

Directors' conflicts of interest

The group has procedures in place for managing conflicts of interest. Should a director become aware that they, or any of their connected parties, have an interest or a potential interest in an existing or proposed transaction with the group, they are required to notify the board in writing or at the next board meeting. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Directors' and officers’ liability insurance

The group maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors.

DIRECTORS' REPORT
CONTINUED

Change of control
The Articles of Association 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.

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 the group'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.

Powers of directors
The board manages the business of the group under the powers set out in the Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited, which include the directors' ability to issue or buyback shares. The directors were granted authorities to issue and allot shares and to buyback shares at the 2020 AGM. Shareholders will be asked to renew these authorities at the 2021 AGM.

Contracts
Details of contracts with directors can be found on pages 167 and 168 of volume one of the Investec group's 2021 integrated annual report

Authorised and issued share capital
Details of the share capital are set out on pages 234 and 235 in note 41 to the annual financial statements.

Investec plc did not issue any ordinary shares during the financial year ended 31 March 2021.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2021.

At 31 March 2021, Investec plc held 41 576 257 shares in treasury (2020: 31 744 014). The maximum number of shares held in treasury by Investec plc during the period under review was 42 882 092 shares.

Ordinary dividends
The group endorses the recommendations of the UK Prudential Regulation Authority in relation to the preservation of capital. The group did not declare a final dividend in relation to the March 2020 financial year.

An interim dividend of 5.5p per ordinary share (2020: 11.0p) was paid on 4 January 2021, as follows:

- 5.5p per ordinary share to non-South African resident shareholders registered on 11 December 2020
- To South African resident shareholders registered on 11 December 2020, through a dividend paid by Investec Limited on the SA DAS share, of 5.5p per ordinary share.

The directors have proposed a final dividend to shareholders registered on 23 July 2021, of 7.5p (2020: nil) per ordinary share, subject to the approval of the members of Investec plc at the AGM which is scheduled to take place on 5 August 2021. If approved this will be paid on 10 August 2021, as follows:

- 7.5p per ordinary share to non-South African resident shareholders registered on 23 July 2021
- To South African resident shareholders registered on 23 July 2021, through a dividend paid by Investec Limited on the SA DAS share, of 7.5p per ordinary share.

Preference dividends
Non-redeemable, non-cumulative, non-participating preference shares
Preference dividend number 29 for the period 1 April 2020 to 30 September 2020, amounting to 5.51508p per share, was declared to members holding preference shares registered on 11 December 2020 and was paid on 23 December 2020.

Preference dividend number 30 for the period 1 October 2020 to 31 March 2021, amounting to 5.48495p per share, was declared to members holding preference shares registered on 4 June 2021 and was paid on 21 June 2021.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares
Preference dividend number 19 for the period 1 April 2020 to 30 September 2020, amounting to 350.65412 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 11 December 2020 and was paid on 23 December 2020.

Preference dividend number 20 for the period 1 October 2020 to 31 March 2021, amounting to 331.58906 cents per share, was declared to members holding preference shares registered on 11 June 2021 and was paid on 14 June 2021.

Going concern
In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance that are set out on pages 9 to 14, and pages 55 to 64. The directors have performed a robust assessment of the group's financial forecasts across a range of scenarios over a 12 months period from the date the financial statements are authorised for issue. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the group's projected performance, capital, liquidity and funding positions, including the impact of scheduled repayment of borrowings and other liabilities. Based on these, the directors confirm that they have a reasonable expectation that the company and the group, as a whole, have adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

DIRECTORS' REPORT
CONTINUED

Group carbon footprint
Our carbon footprint has been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition). Our environmental data collection system allows us to track and manage our direct operational impact. This tool imports data from various sources, consolidates the information and calculates our carbon footprint. The implementation of this tool allows us to produce reliable emissions data, accurately build a history of our carbon footprint and assists in setting targets for future emissions. Every year, we endeavour to improve the thoroughness of our data collection processes. Within each geography, the environmental manager is responsible for monitoring the GHG emissions.

Assessment parameters

Consolidation approach
- Operational control

Emission factor data source
- DEFRA (2020), IEA, eGRID (for New York electricity) and Eskom (for South Africa electricity)

Intensity ratio
- Emissions per average headcount
- Emissions per office space m2

Independent assurance
- Limited assurance provided by KPMG for the years ended: 31 March 2020 and 31 March 2021

Coverage
- Coverage of environmental information covers >95% of our business operations. Materiality set at 5%

			31 March 2021		31 March 2020	
		Units	Consumption in unit of measure	Tonnes of CO_2 equivalent	Consumption in unit of measure	Tonnes of CO_2 equivalent
Scope 1				**54**		**175**
Energy	Natural gas	kWh	291 400	54	949 625	175
Scope 2				**1 172**		**2 038**
Energy	Electrical energy consumption	kWh	4 153 372	1 172	6 987 086	2 038
Scope 3				**572**		**4 809**
Paper	Paper consumption	t	28	27	141	139
Waste	General waste	t	8	4	35	5
Employee travel	Rail travel	km	84 164	3	2 992 773	122
	Road business travel	km	158 789	27	1 170 768	207
	Taxi	km	17 042	3	121 168	18
	Commercial airlines	km	69 942	54	12 532 435	4 317
Work-from-home emissions	Electrical energy consumption	kWh	665 762	155	–	–
	Natural gas	kWh	1 626 111	299	–	–
Total emissions before carbon mitigation				**1 798**		**7 021**
No scope						
Water	Water consumption	kl	754		10 198	
Recycled waste	Recycled waste	t	99		442	
Intensity						
Emissions per average headcount				0.48*		1.75*
Emissions per m^2 office space				—		—
Water consumption per average headcount		kl		0.2*		2.54*
Intensity excl Scope 2						
Emissions per average headcount				0.25*		2
Emissions per m2 office space				—		—
Climate change mitigation						
Scope 2 REGOs in the UK		MWh	3 650	885	–	–
Carbon credits				913		7 021
Total emissions after mitigation				**–**		**–**

1. Due to the COVID-19 pandemic and working from home, there has been a significant decrease in emissions
2. In our efforts to present a complete picture, we have included work-from-home emissions, based on assumptions of energy used during working hours by all FTE. A methodology was developed using the EcoAct whitepaper as guidance
3. Renewable energy certificates (REGOs) were used for our UK offices as we source renewable energy options to meet our operational electricity needs
4. Carbon credits were used to offset our remaining carbon footprint
5. While operational efficiencies have been made over the course of the year, we acknowledge that our 74% decrease is largely due to the impact of COVID-19

* Includes permanent and temporary employees.

DIRECTORS' REPORT
CONTINUED

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 certain 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 55 to 64.

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 the business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chair.

The board believes that the risk management systems and processes, supported by the conclusions of the Internal Audit function, are adequate to support 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 specific 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 £6.9 billion in cash and near cash assets, representing 42.6% of customer deposits.

The group develops annual capital plans (refreshed after six months, if required) that look forward over a three-year period. These plans are designed to assess the capital adequacy of 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. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities.

- Base case: The base case narrative assumes that the UK's third national lockdown depresses first quarter 2021 growth, but as restrictions ease and a greater proportion of the population become inoculated, economic activity starts to accelerate from the second quarter and beyond. Globally, the scenario assumes a robust recovery by the end of the year, compensating for the impact of the third wave of COVID-19 infections experienced in many nations limiting economic activity in the first quarter. In light of this, monetary policy is expected to remain accommodative across the major central banks.
- L-shaped recovery: The L-shaped scenario sees the UK experience a much more restrained economic recovery than in the base case scenario, following the contraction in economic activity in the first quarter due to the third lockdown. Beyond this weak initial rebound, the narrative envisions that there will be some permanent economic scarring from the COVID-19 pandemic, with weak productivity growth restricting economic activity and employment opportunities across the forecast horizon. Global prospects paint a similar picture, with subdued growth expected throughout the time period. Under such a situation, central banks ease policy further; domestically that sees the Bank of England (BoE) lower the Bank rate to (0.40%), whilst the Federal Reserve and European Central Bank (ECB) rely on asset purchases.
- Fiscal stress: The fiscal scenario builds on the L-shaped scenario with the narrative centred on the weaker than expected economic recovery prompting a deterioration in the public finances, causing concerns regarding debt sustainability. In this scenario, to reassure markets, the UK Government tightens fiscal policy via spending cuts and tax rises, which ultimately leads to a crisis in business and consumer confidence. This limits investment and hiring opportunities, and triggers a recession midway through the scenario horizon. Globally, a number of Eurozone countries face similar situations, whereas the United States is less affected. Meanwhile, central banks such as the BoE and the ECB react to this scenario by cutting rates even further than in the L-shaped scenario: BoE Bank rate reaches a low of (0.90%) and the ECB deposit rate (1.00%).

The group also typically incorporates the BoE regulatory scenario into its capital

DIRECTORS' REPORT
CONTINUED

processes. The BoE published its regulatory scenario in January 2021 and this scenario will be implemented alongside the Investec-specific scenarios for Investec plc:

- BoE regulatory scenario (solvency stress): Under the BoE's solvency stress scenario, the UK experiences a 'W-shaped' recovery in which economic activity plummets by close to 10% in Q2 2021, only to recover very strongly in subsequent quarters. In response to this, the scenario assumes that the UK bank rate dips into negative territory, reaching (0.10%) in Q3 2022. Internationally, a parallel story plays out, in which a strong economic rebound in the latter quarters of the year compensates for a sharp contraction in Q1.

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.

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 and if applicable, stress scenarios are reviewed more regularly; for example, as is the case with the COVID-19 pandemic. In addition, senior management host an annual risk appetite process at which 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 take place within each business division at least annually. These focus on, amongst other things: the business and competitive landscape, opportunities and challenges, and financial projections. A summary of these divisional budgets, 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 above mentioned 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 2024.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 4 to 49, which show a strategic and financial overview of the business
- Pages 55 to 64, which provide detail on the principal and emerging risks the group faces
- Page 55, which highlights information on the overall group's risk appetite
- Pages 51 to 53, 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 53, 65, 90, 94 and 112 to 113, which highlight information on the group's various stress testing processes
- Pages 96 to 103, which specifically focus on the group's philosophy and approach to liquidity management
- Page 110, which provide detail on the recovery plan
- Pages 110 to 115, 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 23 June 2021. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond 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.

Audit Committee

The Audit Committee comprising independent non-executive directors meets 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 Committee are set out on pages 138 to 147

Independent auditor and audit information

Each 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 that 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 of 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 AGM scheduled to take place on 5 August 2021.

Major shareholders

The largest shareholders of Investec plc are shown on page 127 of volume one of the Investec group's 2021 integrated annual report

Special resolutions

At the AGM held on 6 August 2020, 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.

DIRECTORS' REPORT
CONTINUED

AGM update statement
At the AGM on 6 August 2020, resolution 13 (approval of the DLC directors' remuneration report for the year ended 31 March 2020), resolution 14 (approval of the DLC Directors' Remuneration Policy), and resolution 21 (re-appointment of KPMG Inc. as joint auditors of Investec Limited), passed with a less than 80% majority.

The board recognises that effective communication is integral to building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to our stakeholders. In addition to formal, written communication, executive management and non-executive board members continue to engage with our shareholders on a regular basis.

Commenting on the less than 80% vote received for the re-appointment of KPMG Inc. as joint auditors of Investec Limited
Following a comprehensive tender process, PricewaterhouseCoopers Incorporated (PwC) was nominated as one of the new joint external auditors effective 1 April 2023. The appointment of the firm and the designated audit partner is subject to regulatory approval from the Prudential Authority of South Africa. The appointment of PwC will be recommended to shareholders at the AGM to be held in August 2022.

A formal transition process will commence during 1 April 2022 whereby the appointed firm will observe the full audit cycle performed by the incumbent joint external auditors. The appointment will be for the reporting period commencing 1 April 2023. The second rotation of the joint external auditors will take place within two years from 1 April 2023, in accordance with the MAFR rules as published by the Independent Regulatory Board of Auditors.

Refer to pages 109 and 110 of volume one of the Investec group's 2021 integrated annual report for further details in regards to the DLC Audit Committee's review of the external auditors, and the MAFR process.

Commenting on the less than 80% vote received for the group's Remuneration Report and Remuneration Policy
The group engaged extensively with shareholders on the implementation of its Remuneration Report and the proposed Remuneration Policy in the months preceding the AGM, and the board and DLC Remuneration Committee welcomed the broad shareholder support for the Remuneration Report and Remuneration Policy.

Following the AGM, the group has continued to consult with shareholders on remuneration matters, including the remuneration targets for the 2020 Long-Term Incentive award and 2021 Short-Term Incentive award, and the proposed Remuneration Policy, which will be put to a shareholder vote at the AGM on 5 August 2021.

Refer to pages 160 to 169 of volume one of the Investec group's 2021 integrated annual report for a summary of the revised Remuneration Policy.

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 each 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 in the 2021 Investec group sustainability and ESG supplementary report

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 to the extent that this is possible. 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.

Research and development
In the ordinary course of business, the group develops new products and services in each of its business divisions.

Political donations and expenditure
The group did not make any political donations in the financial year ended 31 March 2021 (2020: Nil).

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 248 to 250

Signed on behalf of the board

David Miller
Company secretary
23 June 2021

SCHEDULE A TO THE DIRECTORS' REPORT

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 2021 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. 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. 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.

SCHEDULE A TO THE DIRECTORS' REPORT
CONTINUED

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 its capital;

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.

04

Annual financial statements

DIRECTORS' RESPONSIBILITIES

Directors' responsibilities
The following statement, which should be read in conjunction with the auditor's report set out on pages 163 to 165, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with IFRSs in conformity with the UK Companies Act 2006, and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

Under the FCA's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU.

In preparing the financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs or in respect of the parent company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- In respect of the group financial statements, state whether IFRSs in conformity with the UK Companies Act and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the UK Companies Act. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Investec website.

Directors' responsibility statement
The directors, whose names and functions are set out on pages 119 to 121, confirm to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with IFRSs in conformity with the UK Companies Act, and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the undertakings included in the consolidation taken as a whole;
- That the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Financial results
The financial results of Investec plc are set out in the annual financial statements and accompanying notes for the year ended 31 March 2021.

The preparation of these results was supervised by the Investec group finance director, Nishlan Samujh.

Approval of annual financial statements
The directors' report and the annual financial statements of the group, which appear on pages 117 to 160 and pages 166 to 256, were approved by the board of directors on 23 June 2021.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's 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 board

Perry Crosthwaite
Chair
23 June 2021

Fani Titi
Chief Executive
23 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC

Opinion
We have audited the special purpose financial statements of Investec Plc (the Group) for the year ended 31 March 2021, 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 59, including a summary of significant accounting policies and information in sections "Risk management and environmental, social and governance," identified as "audited" on pages 51 to 160. The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the accounting policies set out on pages 172 to 182.

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in 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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

As explained in the accounting policies set out on pages 172 to 182, 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 2021 are prepared, in all material respects, in accordance with the accounting policies set out on 172 to 182.

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.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting has included the following. We have:

- Understood management's going concern assessment process, including the impact of the COVID-19 pandemic (COVID-19);
- Reviewed the Board approved budgets, including assessing the reasonableness and completeness of assumptions and historical forecasting accuracy. In assessing these assumptions, we considered the impact of COVID-19, the trading environment, principal risks and appropriate mitigating factors. We performed back-testing by comparing the budget of prior periods to actual results to assess the historical accuracy of management's forecasting process;
- Assessed the information used in the going concern assessment for consistency with the operating plan and information obtained through auditing other areas of the business, obtaining an understanding of the business planning process and challenging the central assumptions;
- Involved specialists to review the results of management's stress testing, including consideration of principal and emerging risks on funding, liquidity and regulatory capital. We performed independent stress testing of capital and liquidity ratios and evaluated the plausibility of the outcome under which regulatory minimum requirements would be breached. In addition, we evaluated the viability of management actions available to mitigate erosion of capital and liquidity;
- Assessed the group's compliance with external debt covenants;
- Reviewed correspondence with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) for matters that may impact the going concern assessment; and
- Evaluated the appropriateness and conformity of the going concern disclosure included in the annual report with the reporting standards and management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a 12 months period from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use
We draw attention to the accounting policies set out on pages 172 to 182 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 contractual agreements 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 9 April 2021, 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.

Other information
The other information comprises the information included in the annual report in sections 1 (pages 4 to 32), section 2 (pages 34 to 49), and pages marked as unaudited in section 3 (pages 51 to 160), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are:
  - The regulations, licence conditions and supervisory requirements of the PRA and FCA)
  - Companies Act 2006
  - Financial Reporting Council (FRC) and the UK Corporate Governance Code
  - Tax Legislation (the relevant tax compliance regulations in the jurisdictions in which the Group operates)
- We obtained a general understanding of how Investec plc complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and UK regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and company's approach to governance, demonstrated by the Board's approval of the group and company's governance framework and the Board's review of the group's risk management framework and internal control processes.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA and FCA.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

- The group and company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur, by considering the controls that the group and company has established to address risks identified by the group and Company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditors responsibilities. 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 2021 in accordance with both International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and International Accounting Standards in conformity with the requirements of the Companies Act 2006, on which we issued a separate auditor's report to the shareholders of Investec plc dated 22 June 2021.

Ernst & Young LLP

Manprit Dosanjh
(Senior statutory auditor)
for and on behalf of

Ernst & Young LLP
London
23 June 2021

CONSOLIDATED INCOME STATEMENT

For the year to 31 March **£'000**	Notes	**2021**	2020^
Interest income	2	701 220	784 396
Interest income calculated using effective interest method		586 769	628 027
Other interest income		114 451	156 369
Interest expense	2	(301 506)	(387 011)
Net interest income		**399 714**	**397 385**
Fee and commission income	3	501 794	496 036
Fee and commission expense	3	(13 271)	(13 836)
Investment income	4	31 266	6 375
Share of post-taxation profit of associates and joint venture holdings	29	10 829	5 382
Trading income/(loss) arising from			
– customer flow		(11 025)	50 980
– balance sheet management and other trading activities		11 262	(537)
Other operating income	5	15 831	6 464
Total operating income before expected credit loss impairment charges		**946 400**	**948 249**
Expected credit loss impairment charges	6	(71 196)	(75 800)
Operating income		**875 204**	**872 449**
Operating costs	7	(766 367)	(742 199)
Operating profit before goodwill, acquired intangibles and strategic actions		**108 837**	**130 250**
Impairment of goodwill	33	(11 248)	—
Amortisation of acquired intangibles	34	(12 851)	(12 915)
Closure and rundown of the Hong Kong direct investments business	12	7 387	(89 257)
Operating profit		**92 125**	**28 078**
Financial impact of group restructures	12	—	(25 725)
Profit before taxation from continuing operations		**92 125**	**2 353**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(24 243)	706
Taxation on goodwill, acquired intangibles and strategic actions	10	1 029	20 926
Profit after taxation from continuing operations		**68 911**	**23 985**
Profit after taxation from discontinued operations	35	—	**640 506**
Profit after taxation		**68 911**	**664 491**
Profit attributable to non-controlling interests of discontinued operations		—	(18 106)
Loss/(profit) attributable to other non-controlling interests		861	(864)
Earnings attributable to shareholders		**69 772**	**645 521**

^ Restated as detailed in note 59.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2021	2020
Profit after taxation from continuing operations		**68 911**	**23 985**
Other comprehensive income/(loss) from continuing operations:			
Items that may be reclassified to the income statement:			
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement*	10	817	(1 372)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		(228)	3 271
Foreign currency adjustments on translating foreign operations**		(4 529)	(2 705)
Effect rate change on deferred taxation relating to adjustment for IFRS 9		380	(1 761)
Items that will never be reclassified to the income statement:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		99 287	37 515
Gains attributable to own credit risk*		62	9 440
Movement in post-retirement benefit liabilities		(39)	51
Total comprehensive income from continuing operations		**164 661**	**68 424**
Total comprehensive (loss)/income attributable to non-controlling interests from continuing operations		(861)	864
Total comprehensive income attributable to ordinary shareholders from continuing operations		148 642	50 131
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		16 880	17 429
Total comprehensive income from continuing operations		**164 661**	**68 424**
Profit after taxation from discontinued operations		**—**	**640 506**
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
Remeasurement of net defined benefit pension asset		—	(1 217)
Total comprehensive income from discontinued operations		**—**	**641 097**
Total comprehensive income attributable to non-controlling interests from discontinued operations		—	18 106
Total comprehensive income attributable to ordinary shareholders from discontinued operations		—	622 991
Total comprehensive income from discontinued operations		**—**	**641 097**
Profit after taxation		**68 911**	**664 491**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement*		817	(1 372)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*		(228)	3 271
Foreign currency adjustments on translating foreign operations		(4 529)	(897)
Effect rate change on deferred taxation relating to adjustment for IFRS 9		380	(1 761)
Items that will never be reclassified to the income statement:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income		99 287	37 515
Gains attributable to own credit risk*		62	9 440
Remeasurement of net defined benefit pension asset		—	(1 217)
Movement in post-retirement benefit liabilities		(39)	51
Total comprehensive income		**164 661**	**709 521**
Total comprehensive (loss)/income attributable to non-controlling interests		(861)	18 970
Total comprehensive income attributable to ordinary shareholders		148 642	673 122
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities		16 880	17 429
Total comprehensive income		**164 661**	**709 521**

* Net of £0.2 million tax credit (31 March 2020: £0.3 million tax charge), except for the impact of rate changes on deferred tax as shown separately above.
** Year to 31 March 2020 includes £0.8 million gains on recycling of currency translation differences from sale of Ireland wealth business.
*** Year to 31 March 2020 includes £0.3 million gains on recycling of currency translation differences from demerger of Investec Asset Management business.

CONSOLIDATED BALANCE SHEET

At 31 March £'000	Notes	2021	2020^
Assets			
Cash and balances at central banks	18	3 043 034	2 277 318
Loans and advances to banks	19	1 385 471	1 794 165
Reverse repurchase agreements and cash collateral on securities borrowed	20	2 065 232	2 458 822
Sovereign debt securities	21	1 108 253	1 084 958
Bank debt securities	22	48 044	51 238
Other debt securities	23	698 961	685 936
Derivative financial instruments	24	773 333	1 250 735
Securities arising from trading activities	25	281 645	256 645
Investment portfolio	26	714 315	635 297
Loans and advances to customers	27	12 335 837	11 871 849
Other loans and advances	27	123 536	191 930
Other securitised assets	28	107 259	106 218
Interests in associated undertakings and joint venture holdings	29	58 658	54 391
Deferred taxation assets	30	110 750	130 657
Current taxation assets		58 174	4 603
Other assets	31	1 392 596	1 421 265
Property and equipment	32	185 502	216 955
Goodwill	33	249 836	261 183
Software	34	7 791	7 144
Other acquired intangible assets	34	53 281	64 810
		24 801 508	**24 826 119**
Liabilities			
Deposits by banks		1 352 581	1 419 298
Derivative financial instruments	24	914 863	1 146 749
Other trading liabilities	36	49 055	118 572
Repurchase agreements and cash collateral on securities lent	20	157 357	396 811
Customer accounts (deposits)		16 077 671	15 280 302
Debt securities in issue	37	1 602 584	1 467 870
Liabilities arising on securitisation of other assets	28	108 281	110 679
Current taxation liabilities		36 862	26 905
Deferred taxation liabilities	30	19 984	21 438
Other liabilities	38	1 204 332	1 661 636
		21 523 570	**21 650 260**
Subordinated liabilities	40	771 481	787 030
		22 295 051	**22 437 290**
Equity			
Ordinary share capital	41	202	202
Ordinary share premium	43	806 812	806 812
Treasury shares	44	(134 185)	(140 559)
Other reserves		(65 686)	(147 971)
Retained income		1 624 130	1 592 182
Ordinary shareholders' equity		**2 231 273**	**2 110 666**
Perpetual preference share capital and premium	42	24 794	24 794
Shareholders' equity excluding non-controlling interests		**2 256 067**	**2 135 460**
Other Additional Tier 1 securities in issue	45	250 000	250 000
Non-controlling interests in partially held subsidiaries	46	390	3 369
Total equity		**2 506 457**	**2 388 829**
Total liabilities and equity		**24 801 508**	**24 826 119**

^ Restated as detailed in note 59.

Fani Titi

Chief Executive
23 June 2021

CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 March £'000	Notes	2021	2020^
Profit before taxation adjusted for non-cash items	48	206 883	253 328
Taxation paid		(45 006)	(27 968)
Decrease/(increase) in operating assets	48	442 348	(3 470 542)
(Decrease)/increase in operating liabilities	48	(117 108)	2 120 534
Net cash inflow/(outflow) from operating activities		**487 117**	**(1 124 648)**
Cash flow on disposal of group operations and subsidiaries		20 388	44 913
Derecognition of cash on disposal of subsidiaries and demerger of business		(7 799)	(209 708)
Cash flow on net disposal of non-controlling interests		7 239	9 459
Cash flow on net acquisition of associates and joint venture holdings		—	500
Cash flow on acquisition of property, equipment, software and other intangible assets		(7 285)	(20 955)
Cash flow on disposal of property, equipment, software and other intangible assets		318	1 474
Net cash inflow/(outflow) from investing activities		**12 861**	**(174 317)**
Dividends paid to ordinary shareholders		(18 007)	(96 498)
Dividends paid to other equity holders		(17 317)	(38 336)
Proceeds on issue of shares, net of related costs		—	64 644
Cash flow on acquisition of treasury shares, net of related costs		(31 632)	(68 300)
Lease liabilities paid		(53 454)	(53 109)
Net cash outflow from financing activities		**(120 410)**	**(191 599)**
Effects of exchange rates on cash and cash equivalents		**5 872**	**(5 501)**
Net increase/(decrease) in cash and cash equivalents		**385 440**	**(1 496 065)**
Cash and cash equivalents at the beginning of the year		3 984 007	5 480 072
Cash and cash equivalents at the end of the year		**4 369 447**	**3 984 007**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		3 043 034	2 277 318
On demand loans and advances to banks		1 326 413	1 706 689
Cash and cash equivalents at the end of the year		**4 369 447**	**3 984 007**

^ Restated as detailed in note 59.

Cash and cash equivalents have a maturity profile of less than three months. Loans and advances to banks with a maturity profile of greater than three months are £59.1 million (31 March 2020: £87.5 million).

The group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £35.9 million (31 March 2020: £24.8 million). These deposits are not available to finance the group's day-to-day operations.

Cash flows from discontinued operations

In the prior year, cash inflows from operating activities of £37.6 million, cash outflows from investing activities of £11.9 million and cash outflows from financing activities of £22.8 million were incurred relating to discontinued operations. Cash flows from discontinued operations have been included in the consolidated statement of cash flow above.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Ordinary share premium	Treasury shares
At 1 April 2019	**200**	**1 357 967**	**(113 651)**
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
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 declared to perpetual preference 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**	**806 812**	**(140 559)**
Movement in reserves 1 April 2020 – 31 March 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
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	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference 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	—	—	—
Transfer from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	6 374
At 31 March 2021	**202**	**806 812**	**(134 185)**

^ Restated as detailed in note 59.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves										
Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference share capital and premium^	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
(162 610)	**2 084**	**6 025**	**(21 377)**	**928 753**	**1 997 391**	**24 794**	**2 022 185**	**250 000**	**13 087**	**2 285 272**
—	—	—	—	645 521	645 521	—	645 521	—	18 970	664 491
—	(1 514)	—	(247)	—	(1 761)	—	(1 761)	—	—	(1 761)
—	(1 372)	—	—	—	(1 372)	—	(1 372)	—	—	(1 372)
—	3 271	—	—	—	3 271	—	3 271	—	—	3 271
—	37 515	—	—	—	37 515	—	37 515	—	—	37 515
—	—	(897)	—	—	(897)	—	(897)	—	—	(897)
—	—	—	9 440	—	9 440	—	9 440	—	—	9 440
—	—	—	—	(1 217)	(1 217)	—	(1 217)	—	—	(1 217)
—	—	—	—	51	51	—	51	—	—	51
—	**37 900**	**(897)**	**9 193**	**644 355**	**690 551**	**—**	**690 551**	**—**	**18 970**	**709 521**
—	—	—	—	14 916	14 916	—	14 916	—	—	14 916
—	—	—	—	(7 263)	(7 263)	—	(7 263)	—	—	(7 263)
—	—	—	—	(96 498)	(96 498)	—	(96 498)	—	—	(96 498)
—	—	—	—	(549)	(549)	275	(274)	—	—	(274)
—	—	—	—	—	—	(275)	(275)	—	—	(275)
—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	—	—	—	—	—	—	—	(20 907)	(20 907)
—	—	—	—	—	64 644	—	64 644	—	—	64 644
563	—	—	—	615 797	563	—	563	—	(18 212)	(17 649)
—	—	—	—	(972)	(972)	—	(972)	—	10 431	9 459
(18 852)	—	—	—	—	(45 760)	—	(45 760)	—	—	(45 760)
—	—	—	—	(489 477)	(489 477)	—	(489 477)	—	—	(489 477)
(180 899)	**39 984**	**5 128**	**(12 184)**	**1 592 182**	**2 110 666**	**24 794**	**2 135 460**	**250 000**	**3 369**	**2 388 829**
—	—	—	—	69 772	69 772	—	69 772	—	(861)	68 911
—	(19)	—	399	—	380	—	380	—	—	380
—	817	—	—	—	817	—	817	—	—	817
—	(228)	—	—	—	(228)	—	(228)	—	—	(228)
—	99 287	—	—	—	99 287	—	99 287	—	—	99 287
—	—	(4 529)	—	—	(4 529)	—	(4 529)	—	—	(4 529)
—	—	—	62	—	62	—	62	—	—	62
—	—	—	—	(39)	(39)	—	(39)	—	—	(39)
—	**99 857**	**(4 529)**	**461**	**69 733**	**165 522**	**—**	**165 522**	**—**	**(861)**	**164 661**
—	—	—	—	(1 213)	(1 213)	—	(1 213)	—	—	(1 213)
—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	—	(18 007)
—	—	—	—	(437)	(437)	437	—	—	—	—
—	—	—	—	—	—	(437)	(437)	—	—	(437)
—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	980	—	(980)	—	—	—	—	—	—
—	—	—	—	(268)	(268)	—	(268)	—	(2 118)	(2 386)
(14 484)	—	—	—	—	(8 110)	—	(8 110)	—	—	(8 110)
(195 383)	**139 841**	**1 579**	**(11 723)**	**1 624 130**	**2 231 273**	**24 794**	**2 256 067**	**250 000**	**390**	**2 506 457**

ACCOUNTING POLICIES

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. At 31 March 2021, IFRS endorsed are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards.

The group annual financial statements have been prepared on a historical cost basis, except for debt instruments at FVOCI, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting.

As stated on page 142, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The accounting policies adopted by the group are consistent with the prior year except as noted below.

There is a global initiative to replace or reform inter-bank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative risk-free rates (RFR) in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The group has early adopted the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

As indicated in the hedge accounting policy, the group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the group may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the group reasonably expects the RFR to become separately identifiable within 24 months.

The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective other than IBOR reform Phase 2.

Presentation of information
Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 51 to 115.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report in the Investec group'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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments, for example, in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement

ACCOUNTING POLICIES
CONTINUED

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, where operating results are reviewed regularly by chief operating decision-makers who are considered to be executive members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's four principal business divisions namely, Wealth & Investment, Private Banking, Corporate, Investment Banking, and Other and Group Investments.

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-level 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 or 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 amounts for continuing operations, unless indicated otherwise.

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.

ACCOUNTING POLICIES
CONTINUED

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.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

The long-term employment benefits liability relates to the obligation of the Investec group to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

The group has no liabilities for other post-retirement benefits.

Foreign currency transactions and foreign operations
The presentation currency of the group is Pound Sterling, being the functional currency of Investec plc.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control or disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition
Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management, share of post-taxation profit of associates and joint venture holdings and other trading activities and other operating income.

Interest income on debt instruments at amortised cost or fair value through OCI is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

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Dividend income is recognised when the group's right to receive payment is established and the cash is received.

Included in other operating income is incidental rental income, gains on realisation of properties, operating lease income, income from interests in associated undertakings and revenue from other investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments
Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Business model assessment
For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- Elect to present subsequent changes in fair value of an equity investment that is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI;
- A debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets and liabilities measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending

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commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

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 instruments measured at FVOCI
The group measures equity instruments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield. The equity instruments are not held-for-trading. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

Otherwise, equity instruments 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.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Stage 1

Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL. In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of the total amount due. Should the expected recoverability of the loan remain the same, these exposures will remain reported in Stage 1 for the foreseeable future, and will not be required to hold a lifetime ECL.

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

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

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

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

The group adopts the view that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

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

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

The group calculates the credit adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL

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allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

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

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

Write-offs
A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is assessed on a case-by-case basis with considerations to indicators such as whether the exposure has been restructured or the given financial position of the borrower and guarantors. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Process to determine ECL
ECLs are calculated using three main components:

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

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

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

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

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

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

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

Financial assets and liabilities held at fair value through profit or loss
Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Changes in own credit risk on financial liabilities designated at fair value are recognised in other comprehensive income. Any other changes are recognised in the income statement.

Securitisation/credit investment and trading activities exposures
The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to, or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

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Day-one profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower. Where such modifications are solely due to IBOR reform and result in an interest rate which is economically equivalent, they are treated as a change to the floating rate of interest and so do not result in any adjustment to the carrying value of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments
Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments
All derivative instruments of the group are recorded on the balance sheet at fair value positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income.

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting
When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or hedge accounting of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-fair value, and notional and timing differences between the zero hedged items and hedging instruments.

The group applied the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative RFR. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

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IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the group is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

The group has adopted early IBOR reform Phase 2 for this year. IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend the hedge designations and hedge documentation and are set out above.

Refer to page 102 for more detail on the impact of IBOR reform.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments
Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec 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 the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

Where sovereign debt securities have been purchased at the same time as derivatives with the same counterparty, such that the combined position has the economic substance similar to secured lending an asset is recognised under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees
Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the expected credit loss. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life. The current and comparative annual depreciation rates for each class of property and equipment are as follows:

• Computer and related equipment	20% to 33%
• Motor vehicles	20% to 25%
• Furniture and fittings	10% to 20%
• Freehold buildings	2%
• Right of use assets*	
• Leasehold property and improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease.

Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.

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.

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Leases
At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset.

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease, or, where that is not available, at the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities.

Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Trading properties
Trading properties are carried at the lower of cost and net realisable value.

Software and intangible assets
Software and intangible assets are recorded at cost less accumulated amortisation and impairments. Software and intangible assets with a finite life are amortised over the useful economic life on a straight-line basis. Amortisation of each asset starts when it becomes available for use. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

The current and comparative annual amortisation rates for each class of intangible assets are as follows:

• Client relationships	12 to 20 years
• Acquired software	3 to 7 years

Impairment of non-financial assets
At each balance sheet date, the group reviews the carrying value of non-financial assets. The recoverable amount, being the higher of fair value less cost of disposal and value-in-use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities
The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of third party assets under management.

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

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probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs
Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective
The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

IFRS 17 is effective from 1 January 2023 and the group is considering its impact.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions
In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on page 86 to 88 in section 3, page 156 to 157 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 15.

  Details of unlisted investments can be found in note 26 with further analysis contained in the risk management section on page 90.
- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the group's assessment of ECLs, including our assessment of the impact of COVID-19, can be found on pages 86 to 88
- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:
  - The assessment of a significant increase in credit risk;
  - A range of forward-looking probability-weighted macro-economic scenarios; and
  - Estimations of probabilities of default, loss given default and exposures at default using models.

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

  Following a detailed review of the outcome of the ECL models, management raised an additional overlay provision in the UK. Detail of the approach followed and management's assumptions are set out on page 86 of section 3.
- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax

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authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

In making any estimates, management's judgement has been based on various factors, including:

- The current status of tax audits and enquiries;
- The current status of discussions and negotiations with the relevant tax authorities;
- The results of any previous claims; and
- Any changes to the relevant tax environments.

- As explained in the hedge accounting policy, the group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the group first applies the practical expedient as described in the hedge accounting policy, to reflect the change in the referenced interest rate from an IBOR to a RFR. Second, for any changes not covered by the practical expedient, the group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate
- The group's effective interest method, as explained in the hedge accounting policy, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to the base rate and other fee income/expense that are integral parts of the instrument. The group has early adopted IBOR reform Phase 2 which requires as a practical expedient for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform, to be treated as a change to a floating rate of interest provided the transition from IBOR to RFR takes place on a basis that is economically equivalent. For changes that are not required by IBOR reform, the group applies judgement to determine whether they result in the financial instrument being derecognised or adjust its carrying value as described in the hedge accounting policy. Therefore, as financial instruments transition from IBOR to RFRs, the group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors
- The group has designated micro hedge relationships as fair value hedges. The group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The group has adopted early IBOR reform Phase 2, which provides temporary reliefs to enable the group's hedge accounting to continue upon the replacement of an IBOR with an RFR. Under one of the reliefs, the group may elect for individual RFRs designated as hedging the fair value of the hedged item for changes due to a non-contractually specified component of interest rate risk, to be deemed as meeting the IAS 39 requirement to be separately identifiable. For each RFR to which the relief has been applied, the group judges that both the volume and market liquidity of financial instruments that reference the RFR and are priced using the RFR will increase during the 24-month period with the result that the hedged RFR risk component will become separately identifiable in the change in fair value of the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental business analysis – income statement

For the year to 31 March 2021 £'000	Private Client	Specialist Banking				
	Wealth & Investment	Private Banking^	Corporate, Investment Banking and Other^	Group Investments^	Group costs	Total group
Net interest income	2 296	34 664	362 754	—	—	399 714
Fee and commission income	316 813	705	184 276	—	—	501 794
Fee and commission expense	(773)	(61)	(12 437)	—	—	(13 271)
Investment income	272	19	22 122	8 853	—	31 266
Share of post-taxation profit of associates and joint venture holdings	—	—	10 829	—	—	10 829
Trading income/(loss) arising from						
– customer flow	920	1 196	(13 141)	—	—	(11 025)
– balance sheet management and other trading activities	(9)	13	11 258	—	—	11 262
Other operating income	—	—	15 831	—	—	15 831
Total operating income before expected credit loss impairment charges	**319 519**	**36 536**	**581 492**	**8 853**	**—**	**946 400**
Expected credit loss impairment charges	(4)	(1 515)	(69 677)	—	—	(71 196)
Operating income	**319 515**	**35 021**	**511 815**	**8 853**	**—**	**875 204**
Operating costs	(245 175)	(38 033)	(464 873)	—	(18 286)	(766 367)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions from continuing operations	**74 340**	**(3 012)**	**46 942**	**8 853**	**(18 286)**	**108 837**
Loss attributable to other non-controlling interests	—	—	861	—	—	861
Adjusted operating profit/(loss) after non-controlling interests	**74 340**	**(3 012)**	**47 803**	**8 853**	**(18 286)**	**109 698**
Selected returns and key statistics						
Cost to income ratio	76.7%	104.1%	79.8%	n/a	n/a	80.9%
Total assets (£'mn)	1 016	3 338	20 302	146	n/a	24 802

^ In terms of IFRS 8 Operating Segments, the below operating segments were changed after management concluded that key operating decision-makers of the Investec group review the operating results as follows:

- Investec Private Banking
- Investec Corporate, Investment Banking and Other
- Investec Wealth & Investment
- Group Investments
- Group costs.

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as separate segments for the first time in 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

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1. Segmental business analysis – income statement (continued)

For the year to 31 March 2020^ £'000	Private Client: Wealth & Investment	Private Client / Specialist Banking: Private Banking	Specialist Banking: Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Net interest income	12 604	23 441	361 340	—	—	397 385
Fee and commission income	305 090	341	190 605	—	—	496 036
Fee and commission expense	(678)	(8)	(13 150)	—	—	(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/(loss) arising from						
– customer flow	862	1 433	48 685	—	—	50 980
– balance sheet management and other trading activities	108	1	(646)	—	—	(537)
Other operating income	181	—	6 283	—	—	6 464
Total operating income before expected credit loss impairment charges	**317 731**	**25 208**	**605 310**	**—**	**—**	**948 249**
Expected credit loss impairment release/(charges)	1	(643)	(75 158)	—	—	(75 800)
Operating income	**317 732**	**24 565**	**530 152**	**—**	**—**	**872 449**
Operating costs	(254 714)	(43 482)	(407 715)	—	(36 288)	(742 199)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions from continuing operations	**63 018**	**(18 917)**	**122 437**	**—**	**(36 288)**	**130 250**
Profit attributable to other non-controlling interests	—	—	(864)	—	—	(864)
Adjusted operating profit from continuing operations	**63 018**	**(18 917)**	**121 573**	**—**	**(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)
Adjusted operating profit/(loss) after non-controlling interests						**220 383**
Selected returns and key statistics						
Cost to income ratio	80.2%	172.5%	67.5%	n/a	n/a	78.3%
Total assets (£'mn)	1 013	2 432	21 381	n/a	n/a	24 826

^ Restated as detailed in note 59.

NOTES TO THE FINANCIAL STATEMENTS
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2. Net interest income

For the year to 31 March £'000	Notes	2021 Average balance sheet value*	2021 Interest income	2021 Average yield	2020 Average balance sheet value*	2020 Interest income	2020 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	7 711 266	27 785	0.36%	7 228 228	73 916	1.02%
Loans and advances	2	12 170 562	579 809	4.76%	10 988 525	591 615	5.38%
Private client		2 873 101	84 191	2.93%	2 088 825	67 439	3.23%
Corporate, institutional and other clients		9 297 461	495 618	5.33%	8 899 700	524 176	5.89%
Other debt securities and other loans and advances		851 364	34 207	4.02%	711 539	31 025	4.36%
Other#	3	287 831	59 419	n/a	323 948	87 840	n/a
		21 021 023	**701 220**		**19 252 240**	**784 396**	

For the year to 31 March £'000	Notes	2021 Average balance sheet value*	2021 Interest expense	2021 Average yield	2020 Average balance sheet value*	2020 Interest expense	2020 Average yield
Deposits by banks and other debt-related securities	4	3 199 198	44 378	1.39%	3 858 154	60 051	1.56%
Customer accounts (deposits)		16 029 279	131 233	0.82%	13 583 866	184 747	1.36%
Subordinated liabilities		789 555	48 145	6.10%	807 843	48 319	5.98%
Other#	5	436 350	77 750	n/a	481 381	93 894	n/a
		20 454 382	**301 506**		**18 731 244**	**387 011**	
Net interest income			**399 714**			**397 385**	
Net interest margin			**1.90%**			**2.06%**	

Notes:
1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers.
3 Comprises (as per the balance sheet) lease receivables (housed in other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.
* We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full year) or seven point (half year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been 1.93% (March 2020: 2.02%).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3. Net fee and commission income

For the year to 31 March £'000	2021	2020
Wealth & Investment businesses net fee and commission income	**316 040**	**304 412**
Fund management fees/fees for assets under management	267 381	261 093
Private client transactional fees	49 432	43 997
Fee and commission expense	(773)	(678)
Specialist Banking net fee and commission income	**172 483**	**177 788**
Specialist Banking fee and commission income	184 981	190 946
Specialist Banking fee and commission expense	(12 498)	(13 158)
Net fee and commission income	**488 523**	**482 200**
Annuity fees (net of fees payable)	284 745	280 214
Deal fees	203 778	201 986

4. Investment income

For the year to 31 March £'000	2021	2020
Realised	37 881	66 355
Unrealised*	(21 699)	(65 633)
Dividend income	12 781	2 899
Funding and other net related income	2 303	2 754
	31 266	**6 375**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2021								
Realised	9 367	971	13	10 351	6 121	(1 755)	23 164	37 881
Unrealised*	6 449	7 485	(35)	13 899	(2 967)	(3 141)	(29 490)	(21 699)
Dividend income	8 875	3 906	—	12 781	—	—	—	12 781
Funding and other net related income	—	—	—	—	—	2 303	—	2 303
	24 691	**12 362**	**(22)**	**37 031**	**3 154**	**(2 593)**	**(6 326)**	**31 266**
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**

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

NOTES TO THE FINANCIAL STATEMENTS
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5. Other operating income

For the year to 31 March £'000	2021	2020
Rental income from properties	—	1 193
Losses on realisation of properties	(73)	(18)
Unrealised gains/(losses) on other investments	7 441	(17)
Income from operating leases	4 245	2 046
Income from government grants*	4 218	3 260
	15 831	**6 464**

* Government grants income includes Research and Development Expenditure Credits and income from the Capability and Innovation Fund from the Banking Competition Remedies Limited.

6. Expected credit loss impairment charges or (release)

For the year to 31 March £'000	2021	2020
Expected credit losses have arisen on the following items:		
Loans and advances to customers	65 328	73 581
Other loans and advances	(53)	5
Other balance sheet assets	581	462
Off-balance sheet commitments and guarantees	5 340	1 752
	71 196	**75 800**

NOTES TO THE FINANCIAL STATEMENTS
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7. Operating costs

For the year to 31 March £'000	2021	2020
Staff compensation costs	563 114	516 531
Salaries and wages (including directors' remuneration)**	466 202	411 442
Share-based payment expense	22 309	30 193
Social security costs	45 446	46 483
Pensions and provident fund contributions	29 157	28 413
Training and other costs	4 453	11 142
Staff costs	567 567	527 673
Premises expenses	41 413	40 225
Premises expenses (excluding depreciation)	18 018	16 275
Premises depreciation	23 395	23 950
Equipment expenses (excluding depreciation)	49 551	48 096
Business expenses*	88 954	86 296
Marketing expenses	8 854	28 781
Depreciation, amortisation and impairment on equipment, software and intangibles^	10 028	11 128
	766 367	**742 199**
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	**6 173**	**6 068**
Audit of the group's accounts	392	400
Audit of the group's subsidiaries pursuant to legislation	5 069	4 206
Audit related assurance services	712	662
Other assurance services	—	800
Total fees paid to the audit firm not in the capacity of being the group's auditor	**379**	**331**
Audit related assurance services	244	88
Tax compliance services	5	125
Services related to corporate finance transactions	—	18
Services related to information technology	—	100
Other non-audit services	130	—
	6 552	**6 399**
KPMG fees* **		
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	**—**	**1 460**
Audit of the group's subsidiaries pursuant to legislation	—	395
Audit related assurance services	—	138
Other assurance services	—	927
Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor	**—**	**777**
Tax compliance services	—	280
Tax advisory services	—	474
Other non-audit services	—	23
	—	**2 237**
Total	**6 552**	**8 636**

^ Restated as detailed in note 59.
* 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 Investec group's 2021 integrated annual report.
*** During the current year, KPMG LLP were replaced as auditors of Investec Wealth and Investment Limited and Ernst & Young LLP were formally appointed as the auditor. As a consequence of this, non-audit services that they provided to Investec plc are not disclosed here but are included in the Investec group's integrated annual report where they remain a group auditor.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis. 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 2021 integrated annual report and on our website.

For the year to 31 March £'000	2021	2020
Share-based payment expense		
Equity-settled	**22 309**	**33 068**

In the prior year, as part of the demerger, the employees of Investec Asset Management left the employment of the Investec group 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	2021	2020
Weighted average fair value of awards granted in the year		
UK schemes	**11 696**	**28 881**

	UK schemes			
	2021		2020	
Details of awards outstanding during the year	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	20 742 278	0.02	22 239 595	0.05
Demerger of Investec Asset Management	—	0.00	(1 106 749)	0.00
Granted during the year	8 455 609	0.00	7 630 226	0.00
Exercised during the year^	(5 649 509)	0.00	(5 832 860)	0.00
Awards forfeited during the year	(1 116 728)	0.19	(2 187 934)	0.25
Outstanding at the end of the year	**22 431 650**	**0.01**	**20 742 278**	**0.02**
Exercisable at the end of the year	**401 818**	**—**	**470 123**	**—**

^ The weighted average share price during the year was £1.73 (2020: £4.41).

NOTES TO THE FINANCIAL STATEMENTS
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8. Share-based payments (continued)

Additional information relating to awards:	2021	2020
Options with strike prices		
Exercise price range	£3.58 - £4.18	£3.58 - £4.27
Weighted average remaining contractual life	0.71 years	0.98 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	2.07 years	2.07 years
Weighted average fair value of awards and long-term grants at measurement date	£1.38	£3.79
The fair values of awards granted were calculated using a Black-Scholes option pricing model and shares granted were calculated at market price. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£1.56-£1.93	£4.38 - £4.79
– Exercise price	£nil	£nil
– Expected volatility	n/a	30%
– Award life	0.50 - 7 years	4 - 7.25 years
– Expected dividend yields	n/a	6.45%
– Risk-free rate	n/a	0.88%

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

In the prior year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to the Investec group Australian staff in lieu of Ninety One plc shares.

9. Long-term employment benefits

As part of the Investec Asset Management Limited (IAM) demerger, each participant of the Investec group share option and long-term share incentive plans for employees, received the right to receive one Ninety One plc share award for every two Investec plc share awards they held. The Ninety One plc share awards were granted on the same terms and vesting period as the Investec plc awards they related to.

Investec plc has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £7 263 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and resultingly was accounted for in retained income. The liability was subsequently measured at fair value through profit or loss.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2021 was £8.2 million (31 March 2020: £0.2 million).

NOTES TO THE FINANCIAL STATEMENTS
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9. Long-term employment benefits (continued)

	2021		2020	
Details of awards outstanding during the year	**Number of Ninety One awards**	**Weighted average exercise price £**	Number of Ninety One awards	Weighted average exercise price £
IAM demerger Ninety One share awards issued 16 March 2020	9 121 084	0.02	9 354 422	0.02
Exercised during the year	(2 092 045)	0.00	(213 160)	0.00
Lapsed during the year	(373 438)	0.22	(20 178)	0.00
Outstanding at the end of the year	**6 655 601**	**0.01**	**9 121 084**	**0.02**
Exercisable at the end of the year	**201 285**	**—**	**213 483**	**—**

The exercise price range and weighted average remaining contractual life for market strike awards outstanding at 31 March 2021, were as follows:

Additional information relating to awards:	**2021**	2020
Exercise price range	£2.90 - £3.39	£2.90 - £3.46
Weighted average remaining contractual life	0.71 years	0.98 years
The exercise price range and weighted average remaining contractual life for LTIPs & LTSAs outstanding at 31 March 2021, were as follows:		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.52 years	2.10 years

For the liability calculated, the inputs into the model were as follows:

Additional information relating to awards:	**2021**	2020
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Share price at date of grant	£2.39	£1.54
– Exercise price	Nil, £2.90 - £3.39	Nil, £2.90 - £3.46
– Expected volatility	35.35%	56.82%
– Award life	0 - 6.44 years	0 - 7.45 years
– Expected dividend yields	0% - 4.68%	0% - 8.01%
– Risk-free rate	0% - 0.82%	0% - 0.68%

In the prior year, management concluded that the share price used to calculate the fair value of the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

NOTES TO THE FINANCIAL STATEMENTS
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10. Taxation

For the year to 31 March £'000	2021	2020
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	4 258	(15 078)
Adjustments in respect of prior years	(836)	(1 650)
Corporation tax before double tax relief	**3 422**	**(16 728)**
Double tax relief	—	—
	3 422	**(16 728)**
Europe	1 560	2 765
Australia	74	208
Other	932	(311)
	2 566	**2 662**
Total current taxation	**5 988**	**(14 066)**
Deferred taxation		
UK	4 707	3 560
Europe	(116)	27
Australia	13 722	(13 244)
Other	(1 087)	2 091
Total deferred taxation	**17 226**	**(7 566)**
Total taxation charge for the year	**23 214**	**(21 632)**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	24 243	(706)
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(1 029)	(20 926)
	23 214	**(21 632)**
Deferred taxation comprises:		
Origination and reversal of temporary differences	16 216	(9 210)
Changes in taxation rates	154	1 285
Adjustment in respect of prior years	856	359
	17 226	**(7 566)**
The deferred taxation charge/(credit) in the income statement arose from:		
Deferred capital allowances	(2 858)	(1 873)
Income and expenditure accruals	15 899	(6 028)
(Liability)/asset in respect of unexpired options	(2 191)	7 231
Unrealised fair value adjustment on financial instruments	621	782
Losses carried forward	5 925	(6 415)
Liability in respect of pension surplus	—	(251)
Asset in respect of pension contributions	—	218
Deferred tax on acquired intangibles	(2 380)	(947)
Other temporary differences	2 210	(283)
	17 226	**(7 566)**
The deferred taxation charge/(credit) in OCI/equity arose from:		
(Liability)/asset in respect of unexpired options	(107)	739
Unrealised fair value adjustment on financial instruments	3 243	8 619
	3 136	**9 358**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation (continued)

For the year to 31 March £'000	2021	2020
The rates of corporation tax for the relevant years are:	**%**	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**92 125**	**2 353**
Taxation on profit before taxation	**23 214**	**(21 632)**
Effective tax rate	**25.2%**	**(919.3%)**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2020: 19%)	17 503	447
Taxation adjustments relating to foreign earnings	3 853	519
Taxation relating to prior years	20	(1 291)
Goodwill and non-operating items	2 162	1 905
Share options accounting expense	214	6 378
Non-taxable income	(9 141)	1 030
Net other permanent differences	(1 590)	(17 141)
Capital gains – non-taxable/covered by losses	(3 628)	(2 323)
Movement in unrecognised trading losses	13 667	(12 441)
Change in tax rate	154	1 285
Total taxation charge as per income statement	**23 214**	**(21 632)**
Other comprehensive income taxation effects		
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement	817	(1 372)
Pre-taxation	1 009	(1 694)
Taxation effect	(192)	322
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	99 059	3 271
Pre-taxation	99 194	3 604
Taxation effect	(135)	(333)
Own credit risk	62	9 440
Pre-taxation	417	12 460
Taxation effect	(355)	(3 020)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 875)	(16 875)
Pre-taxation	(16 875)	(16 875)
Taxation effect	—	—
Share-based payment adjustment	107	(317)
Pre-taxation	—	—
Taxation effect	107	(317)
IFRS 9 transitional adjustments	380	(1 761)
Pre-taxation	—	—
Taxation effect	380	(1 761)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

11. Dividends

For the year to 31 March £'000	2021 Pence per share	2021 Total	2020 Pence per share	2020 Total
Ordinary dividend				
Final dividend for prior year	—	—	13.5	62 863
Interim dividend for current year	5.5	18 007	11.0	33 635
Total dividend attributable to ordinary shareholders	**5.5**	**18 007**	**24.5**	**96 498**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2021 of 7.5 pence per ordinary share (31 March 2020: nil pence).

This will be paid as follows:

- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 7.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment on the SA DAS share of 7.5 pence per ordinary share.

The final dividend will be payable on 10 August 2021 to shareholders on the register at the close of business on 23 July 2021.

For the year to 31 March £'000	2021 Pence per share	2021 Cents per share	2021 Total	2020 Pence per share	2020 Cents per share	2020 Total
Perpetual preference dividend						
Final dividend for prior year	8.43	468.30	262	8.73	482.09	274
Interim dividend for current year	5.52	350.65	175	8.77	488.21	275
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**13.95**	**818.95**	**437**	**17.50**	**970.30**	**549**

The directors have declared a final dividend in respect of the financial year ended 31 March 2021 of 5.48495 pence (Investec plc shares traded on the JSE Limited) and 5.48495 pence (Investec plc shares traded on the Channel Island Stock Exchange), and 331.58906 cents per Rand-denominated perpetual preference share. The final dividend will be payable on 21 June 2021 to shareholders on the register at the close of business on 4 June 2021.

For the year to 31 March £'000	2021	2020
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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12. Financial impact of strategic actions

For the year to 31 March £'000	2021	2020
Closure and rundown of the Hong Kong direct investments business*	7 387	(89 257)
Financial impact of group restructures	—	(25 725)
Closure of Click & Invest	—	(4 309)
Sale of the Irish Wealth & Investment business	—	19 741
Restructure of the Irish branch	—	(41 110)
Other	—	(47)
Financial impact of strategic actions – continuing operations	**7 387**	**(114 982)**
Taxation on financial impact of strategic actions from continuing operations	(1 390)	19 856
Net financial impact of strategic actions – continuing operations	**5 997**	**(95 126)**
Gain on distribution of Ninety One group shares net of taxation and implementation costs	—	550 515
Net financial impact of strategic actions – total group	**5 997**	**455 389**

* Included within the balance are fair value gains of £10.3 million (31 March 2020: fair value losses of £83.2 million).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of income and impairments by category of financial instrument

For the year to 31 March £'000	At fair value through profit or loss IFRS 9 mandatory Trading**	 Non-trading**	 Designated at inception
2021			
Net interest income	(25 802)	61 871	(29 964)
Fee and commission income	17 766	3 162	—
Fee and commission expense	—	—	—
Investment income	(22)	8 023	1 977
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from:			
– customer flow	31 165	(7 025)	(35 165)
– balance sheet management and other trading activities	2 097	(3 903)	8 012
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**25 204**	**62 128**	**(55 140)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**25 204**	**62 128**	**(55 140)**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception
2020			
Net interest income	(12 212)	68 162	(30 063)
Fee and commission income	19 207	5 190	—
Fee and commission expense	—	—	—
Investment income	8 229	366	789
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from:			
– customer flow	47 492	6 692	(3 204)
– balance sheet management and other trading activities	(8 653)	3 036	12 097
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**54 063**	**83 446**	**(20 381)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**54 063**	**83 446**	**(20 381)**

* Includes off-balance sheet items.

** Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income					
Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income	**Total**
28 312	—	364 782	2 169	(1 654)	399 714
—	—	68 247	—	412 619	501 794
—	—	(2 034)	—	(11 237)	(13 271)
(1 009)	8 853	2 507	10 937	—	31 266
—	—	—	10 829	—	10 829
—	—	—	—	—	(11 025)
—	—	5 056	—	—	11 262
—	—	4 246	(3)	11 588	15 831
27 303	**8 853**	**442 804**	**23 932**	**411 316**	**946 400**
—	—	(71 196)	—	—	(71 196)
27 303	**8 853**	**371 608**	**23 932**	**411 316**	**875 204**

Debt instruments with a dual business model	Equity instruments	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**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March 2021 **£'000**	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	38 690	517 037	119 714
Sovereign debt securities	—	36 675	—
Bank debt securities	—	—	—
Other debt securities	—	203 338	—
Derivative financial instruments**	773 333	—	—
Securities arising from trading activities	253 932	5 160	22 553
Investment portfolio	—	355 974	—
Loans and advances to customers	—	511 604	—
Other loans and advances	—	—	—
Other securitised assets	—	—	107 259
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	6 857	22 145	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	
	1 072 812	**1 651 933**	**249 526**
Liabilities			
Deposits by banks	—	—	294
Derivative financial instruments**	914 863	—	—
Other trading liabilities	49 055	—	—
Repurchase agreements and cash collateral on securities lent	—	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	118 690
Liabilities arising on securitisation of other assets	—	—	108 281
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	963 918	**—**	**227 265**
Subordinated liabilities	—	—	334 804
	963 918	**—**	**562 069**

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.
** Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

For more information on hedges, please refer to note 52 on pages 244 to 245.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through 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
—	—	—	3 043 034	—	3 043 034
—	—	—	1 385 471	—	1 385 471
—	—	675 441	1 389 791	—	2 065 232
1 071 578	—	1 108 253	—	—	1 108 253
43 781	—	43 781	4 263	—	48 044
—	—	203 338	495 623	—	698 961
—	—	773 333	—	—	773 333
—	—	281 645	—	—	281 645
—	358 341	714 315	—	—	714 315
534 059	—	1 045 663	11 290 174	—	12 335 837
—	—	—	123 536	—	123 536
—	—	107 259	—	—	107 259
—	—	—	—	58 658	58 658
—	—	—	—	110 750	110 750
—	—	—	—	58 174	58 174
—	—	29 002	953 408	410 186	1 392 596
—	—	—	—	185 502	185 502
—	—	—	—	249 836	249 836
—	—	—	—	7 791	7 791
—	—		—	53 281	53 281
1 649 418	**358 341**	**4 982 030**	**18 685 300**	**1 134 178**	**24 801 508**
—	—	294	1 352 287	—	1 352 581
—	—	914 863	—	—	914 863
—	—	49 055	—	—	49 055
—	—	—	157 357	—	157 357
—	—	—	16 077 671	—	16 077 671
—	—	118 690	1 483 894	—	1 602 584
—	—	108 281	—	—	108 281
—	—	—	—	36 862	36 862
—	—	—	—	19 984	19 984
—	—	—	618 551	585 781	1 204 332
—	**—**	**1 191 183**	**19 689 760**	**642 627**	**21 523 570**
—	—	334 804	436 677	—	771 481
—	**—**	**1 525 987**	**20 126 437**	**642 627**	**22 295 051**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March 2020^ £'000	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	255 412	550 927	109 434
Sovereign debt securities	—	—	—
Bank debt securities	—	51 238	—
Other debt securities	—	217 364	—
Derivative financial instruments**	1 250 735	—	—
Securities arising from trading activities	125 205	6 200	125 240
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	—	—	—
Current taxation assets	—	—	—
Other assets	27 221	—	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
	1 658 573	**1 855 306**	**340 892**
Liabilities			
Deposits by banks	—	—	336
Derivative financial instruments**	1 146 749	—	—
Other trading liabilities	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	219 915
Liabilities arising on securitisation of other assets	—	—	110 679
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	—	—	—
	1 287 000	**—**	**330 930**
Subordinated liabilities	—	—	343 233
	1 287 000	**—**	**674 163**

^ Restated as detailed in note 59.
* 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 244 to 245.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through 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**
—	—	—	2 277 318	—	2 277 318
—	—	—	1 794 165	—	1 794 165
—	—	915 773	1 543 049	—	2 458 822
1 084 958	—	1 084 958	—	—	1 084 958
—	—	51 238	—	—	51 238
—	—	217 364	468 572	—	685 936
—	—	1 250 735	—	—	1 250 735
—	—	256 645	—	—	256 645
—	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
—	—	—	—	4 603	4 603
—	—	27 221	888 198	505 846	1 421 265
—	—	—	—	216 955	216 955
—	—	—	—	261 183	261 183
—	—	—	—	7 144	7 144
—	—	—	—	64 810	64 810
1 506 799	**259 058**	**5 620 628**	**17 959 902**	**1 245 589**	**24 826 119**
—	—	336	1 418 962	—	1 419 298
—	—	1 146 749	—	—	1 146 749
—	—	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
—	**—**	**1 617 930**	**19 379 427**	**652 903**	**21 650 260**
—	—	343 233	443 797	—	787 030
—	**—**	**1 961 163**	**19 823 224**	**652 903**	**22 437 290**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

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

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

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

		Fair value category		
At 31 March 2021 **£'000**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	1 108 253	1 108 253	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	203 338	—	99 934	103 404
Derivative financial instruments	773 333	19	746 509	26 805
Securities arising from trading activities	281 645	275 526	959	5 160
Investment portfolio	714 315	367 490	4 841	341 984
Loans and advances to customers*	1 045 663	—	—	1 045 663
Other securitised assets	107 259	—	—	107 259
Other assets	29 002	29 002	—	—
	4 982 030	**1 824 071**	**1 527 684**	**1 630 275**
Liabilities				
Deposits by banks	294	—	—	294
Derivative financial instruments	914 863	—	887 123	27 740
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Liabilities arising on securitisation of other assets	108 281	—	—	108 281
Subordinated liabilities	334 804	334 804	—	—
	1 525 987	**373 203**	**1 016 469**	**136 315**
Net assets at fair value	**3 456 043**	**1 450 868**	**511 215**	**1 493 960**

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March 2020^ £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	915 773	—	915 773	—
Sovereign debt securities	1 084 958	1 084 958	—	—
Bank debt securities	51 238	—	51 238	—
Other debt securities	217 364	—	74 369	142 995
Derivative financial instruments	1 250 735	—	1 221 090	29 645
Securities arising from trading activities	256 645	226 874	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	—	—
	5 620 628	**1 625 354**	**2 298 298**	**1 696 976**
Liabilities				
Deposits by banks	336	—	—	336
Derivative financial instruments	1 146 749	13 853	1 106 215	26 681
Other trading liabilities	118 572	118 572	—	—
Repurchase agreements and cash collateral on securities lent	21 679	—	21 679	—
Debt securities in issue	219 915	—	219 915	—
Liabilities arising on securitisation of other assets	110 679	—	—	110 679
Subordinated liabilities	343 233	343 233	—	—
	1 961 163	**475 658**	**1 347 809**	**137 696**
Net assets at fair value	**3 659 465**	**1 149 696**	**950 489**	**1 559 280**

^ Restated as detailed in note 59.
* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

Transfers between level 1 and level 2

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

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value hierarchy (continued)
Level 3 instruments
The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

For the year to **£'000**	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	**Total**
Assets					
Balance as at 1 April 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**
Total gains or (losses)	1 065	21 988	8 732	11 787	43 572
In the income statement	1 065	24 180	8 732	11 787	45 764
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	50 023	945 556	—	9 054	1 004 633
Sales	(27 327)	(495 008)	—	(26 367)	(548 702)
Issues	—	—	—	37	37
Settlements	(17 617)	(447 858)	(7 691)	(29 409)	(502 575)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(8 702)	(54 193)	—	(13 606)	(76 501)
Balance as at 31 March 2021	**341 984**	**1 045 663**	**107 259**	**135 369**	**1 630 275**

1. Comprises of other debt securities, derivative financial instruments and securities arising from trading.

For the year to 31 March 2021, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value. In the prior year, investment portfolio of £4.8 million was transferred from level 3 to level 1 due to the listing of two securities and investment portfolio of £0.1 million was transferred from level 2 to level 3 as the inputs were no longer based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 2019	**113 711**	**16 626**	**130 337**
Total gains or (losses)	(2 094)	10 341	8 247
In the income statement	(2 094)	10 341	8 247
Purchases	—	390	390
Issues	7 306	—	7 306
Settlements	(8 244)	(719)	(8 963)
Foreign exchange adjustments	—	379	379
Balance as at 31 March 2020	**110 679**	**27 017**	**137 696**
Total (gains) or losses	5 460	4 927	10 387
In the income statement	5 460	4 927	10 387
Settlements	(7 858)	(1 188)	(9 046)
Foreign exchange adjustments	—	(2 722)	(2 722)
Balance as at 31 March 2021	**108 281**	**28 034**	**136 315**

2. Comprises level 3 deposits by banks and derivative financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
2021			
Total gains or (losses) included in the income statement for the year			
Net interest income	62 651	52 093	10 558
Investment income*	(24 884)	2 151	(27 035)
Trading income/(loss) arising from customer flow	(2 389)	428	(2 817)
	35 378	**54 672**	**(19 294)**
Total gains or (losses) included in other comprehensive income for the year			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 031)	(1 031)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 223)	**(1 031)**	**(2 192)**
2020			
Total gains or (losses) included in the income statement for the year			
Net interest income	77 586	60 922	16 664
Fee and commission income	(3 184)	—	(3 184)
Investment income*	(54 138)	62 866	(117 004)
Trading income/(loss) 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**

- Included within the investment income statement balance are unrealised gains of £10.3 million (31 March 2020: unrealised losses of £75.8 million) presented within operational items in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2021 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate the assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking global pandemic of COVID-19 into consideration. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	103 404	Potential impact on income statement		3 789	(10 320)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	7	(7)
		Other	^	3 675	(10 115)
Derivative financial instruments	26 805	Potential impact on income statement		5 232	(6 226)
		Volatilities	5.4%-21.4%	51	(148)
		Cash flow adjustments	CPR 4.4%	9	(9)
		Underlying asset value	^^	4 724	(4 724)
		Other	^	448	(1 345)
Securities arising from trading activities	5 160	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	1 310	(1 686)
Investment portfolio	341 984	Potential impact on income statement		36 304	(99 921)
		Price earnings multiple	4.2x-9.0x	5 560	(13 330)
		Discount rate	17.5%	2 179	(3 959)
		Underlying asset value	^^	2 561	(5 967)
		Other	^	26 004	(76 665)
Loans and advances to customers	1 045 663	Potential impact on income statement		25 430	(43 612)
		Credit spreads	0.08%-37.3%	9 439	(14 745)
		Price earnings multiple	3.5x-4.1x	4 200	(2)
		Underlying asset value	^^	3 094	(8 932)
		Other	^	8 697	(19 933)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	107 259	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	1 554	(1 653)
Total level 3 assets	**1 630 275**			**79 209**	**(173 129)**
Liabilities					
Deposits by banks	294	Potential impact on income statement			
		Underlying asset value	^^	—	44
Derivative financial instruments	27 740	Potential impact on income statement		(4 750)	4 800
		Volatilities	5.4%-21.1%	(26)	76
		Underlying asset value	^^	(4 724)	4 724
Liabilities arising on securitisation of other assets*	108 281	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	(213)	240
Total level 3 liabilities	**136 315**			**(4 963)**	**5 084**
Net level 3 assets	**1 493 960**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March 2020	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	142 995	Potential impact on income statement		4 418	(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	5.3 x-9.7 x	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	3.85-7x	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			
		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, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

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

Credit spreads

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

Discount rates

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

Volatilities

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

Cash flows

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

Price earnings multiple

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

Underlying asset value

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

NOTES TO THE FINANCIAL STATEMENTS
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16. Fair value of financial instruments at amortised cost

At 31 March 2021 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets							
Cash and balances at central banks	3 043 034	3 043 034	—	—	—	—	—
Loans and advances to banks	1 385 471	1 379 951	5 520	5 474	—	—	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992	—	271 992	—
Bank debt securities	4 263	4 263	—	—	—	—	—
Other debt securities	495 623	62 243	433 380	434 995	7 628	420 432	6 935
Loans and advances to customers	11 290 174	664 065	10 626 109	10 614 861	—	969 764	9 645 097
Other loans and advances	123 536	61 320	62 216	62 916	—	62 916	—
Other assets	953 408	953 135	273	256	—	—	256
	18 685 300	**7 286 439**	**11 398 861**	**11 390 494**			
Liabilities							
Deposits by banks	1 352 287	241 347	1 110 940	1 119 997	—	1 117 341	2 656
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803	—	47 803	—
Customer accounts (deposits)	16 077 671	9 906 828	6 170 843	6 213 235	—	6 213 235	—
Debt securities in issue	1 483 894	273 968	1 209 926	1 235 967	432 052	803 915	—
Other liabilities	618 551	614 289	4 262	3 660	—	—	3 660
Subordinated liabilities	436 677	—	436 677	455 188	455 188	—	—
	20 126 437	**11 146 068**	**8 980 369**	**9 075 850**			

This note has been restated to separately present those items where fair value approximates the carrying value. For items where fair values do not approximate carrying value, fair value disclosures are presented above.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. These assets and liabilities include demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value
Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

16. Fair value of financial instruments at amortised cost (continued)

At 31 March 2020 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets							
Cash and balances at central banks	2 277 318	2 277 318	—	—	—	—	—
Loans and advances to banks	1 794 165	1 789 113	5 052	4 895	—	—	4 895
Reverse repurchase agreements and cash collateral on securities borrowed	1 543 049	1 383 433	159 616	159 543	—	159 543	—
Other debt securities	468 572	37 985	430 587	398 020	4 733	385 750	7 537
Loans and advances to customers	10 796 670	1 171 159	9 625 511	9 656 378	—	937 312	8 719 066
Other loans and advances	191 930	29 478	162 452	150 210	—	150 210	—
Other assets	888 198	887 967	231	141	—	—	141
	17 959 902	**7 576 453**	**10 383 449**	**10 369 187**			
Liabilities							
Deposits by banks	1 418 962	99 194	1 319 768	1 323 062	8 938	1 310 222	3 902
Repurchase agreements and cash collateral on securities lent	375 132	312 287	62 845	76 060	—	76 060	—
Customer accounts (deposits)*	15 280 302	8 382 515	6 897 787	6 906 493	—	6 906 493	—
Debt securities in issue	1 247 955	66 910	1 181 045	1 194 670	424 712	769 958	—
Other liabilities	1 057 076	1 049 703	7 373	6 576	—	—	6 576
Subordinated liabilities	443 797	—	443 797	409 723	409 723	—	—
	19 823 224	**9 910 609**	**9 912 615**	**9 916 584**			

* £1.8 billion of customer accounts (deposits) reported as level 1 as at 31 March 2020 have been restated to level 2, as inputs other than quoted prices were used to determine fair value.

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16. Fair value of financial instruments at amortised cost (continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity.

For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Other debt securities	Priced with reference to similar trades in an observable market.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.

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17. 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
Assets						
2021						
Reverse repurchase agreements and cash collateral on securities borrowed	119 714	(8 498)	4 614	—	—	—
Securities arising from trading activities	22 553	2 707	915	(1 128)	(1 380)	22 553
Other securitised assets	107 259	5 462	(3 173)	5 462	(3 173)	107 259
	249 526	**(329)**	**2 356**	**4 334**	**(4 553)**	**129 812**
2020^						
Reverse repurchase agreements and cash collateral on securities borrowed	109 434	(24 617)	(27 517)	—	—	—
Securities arising from trading activities	125 240	(17 011)	(12 868)	(2 236)	(2 158)	125 240
Other securitised assets	106 218	(3 959)	(9 332)	(3 959)	(9 332)	106 218
	340 892	**(45 587)**	**(49 717)**	**(6 195)**	**(11 490)**	**231 458**

^ Restated as detailed in note 59.

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
Liabilities						
2021						
Deposits by banks	294	1 335	(11)	(649)	—	—
Debt securities in issue	118 690	107 028	30 559	18 178	(972)	(1 320)
Liabilities arising on securitisation of other assets	108 281	113 015	6 001	(4 946)	6 001	(4 946)
Subordinated liabilities	334 804	307 962	(8 429)	23 269	(417)	14 257
	562 069	**529 340**	**28 120**	**35 852**	**4 612**	**7 991**
2020						
Deposits by banks	336	1 478	(637)	(637)	—	—
Debt securities in issue	219 915	239 556	(28 672)	(24 857)	(2 332)	(2 062)
Liabilities arising on securitisation of other assets	110 679	122 496	(2 261)	(11 912)	(2 261)	(11 912)
Subordinated liabilities	343 233	307 962	(24 555)	31 698	(12 460)	14 675
	674 163	**671 492**	**(56 125)**	**(5 708)**	**(17 053)**	**701**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

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18. Cash and balances at central banks

At 31 March £'000	2021	2020
Gross cash and balances at central banks	3 043 034	2 277 318
Expected credit loss	—	—
Net cash and balances at central banks	**3 043 034**	**2 277 318**
The country risk of cash and bank balances at central banks lies in the following geographies:		
United Kingdom	2 993 129	2 235 296
Europe (excluding UK)	49 905	42 022
	3 043 034	**2 277 318**

19. Loans and advances to banks

At 31 March £'000	2021	2020
Gross loans and advances to banks	1 385 604	1 794 224
Expected credit loss	(133)	(59)
Net loans and advances to banks	**1 385 471**	**1 794 165**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	13 320	9 916
United Kingdom	567 938	811 502
Europe (excluding UK)	538 916	544 958
Australia	103 335	131 455
North America	138 923	278 963
Asia	22 947	17 181
Other	92	190
	1 385 471	**1 794 165**

NOTES TO THE FINANCIAL STATEMENTS
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20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

At 31 March £'000	2021	2020^
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	2 065 249	2 458 826
Expected credit loss	(17)	(4)
Net reserve repurchase agreements and cash collateral on securities borrowed	**2 065 232**	**2 458 822**
Reverse repurchase agreements	2 039 402	2 429 022
Cash collateral on securities borrowed	25 830	29 800
	2 065 232	**2 458 822**
As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or repledge. £545 million (2020: £598 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	119 932	370 910
Cash collateral on securities lent	37 425	25 901
	157 357	**396 811**

^ Restated as detailed in note 59.

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £25 million (2020: £37 million). They are pledged as security for the term of the underlying repurchase agreement.

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21. Sovereign debt securities

At 31 March £'000	2021	2020^
Gross sovereign debt securities	1 108 253	1 084 958
Expected credit loss	—	—
Net sovereign debt securities	**1 108 253**	**1 084 958**
Floating rate notes	46 713	—
Government securities	542 016	190 596
Treasury bills	519 524	894 362
	1 108 253	**1 084 958**
The country risk of sovereign debt securities lies in the following geographies:		
United Kingdom	359 523	697 757
Europe (excluding UK)*	66 547	31 831
North America	632 265	336 816
Australia	49 918	18 554
	1 108 253	**1 084 958**

^ Restated as detailed in note 59.
* Where Europe (excluding UK) largely includes securities held in Germany.

22. Bank debt securities

At 31 March £'000	2021	2020
Bonds	48 044	51 238
	48 044	**51 238**
The country risk of bank debt securities lies in the following geographies:		
United Kingdom	38 929	51 238
Europe (excluding UK)	9 115	—
	48 044	**51 238**

NOTES TO THE FINANCIAL STATEMENTS
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23. Other debt securities

At 31 March £'000	2021	2020
Gross other debt securities	700 319	686 704
Expected credit loss	(1 358)	(768)
Net other debt securities	**698 961**	**685 936**
Bonds	190 679	219 226
Asset-backed securities	508 282	466 710
	698 961	**685 936**
The country risk of other debt securities lies in the following geographies:		
United Kingdom	259 961	192 199
Europe (excluding UK)	71 891	94 217
North America	326 244	328 268
Asia	40 865	71 252
	698 961	**685 936**

NOTES TO THE FINANCIAL STATEMENTS
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24. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at the balance sheet date.

	2021			2020^		
At 31 March £'000	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	17 113 315	299 744	207 446	19 242 983	320 673	364 852
Currency swaps	598 233	13 007	10 084	566 764	38 115	44 214
OTC options bought and sold	3 427 247	48 207	44 409	2 199 686	47 388	50 573
	21 138 795	**360 958**	**261 939**	**22 009 433**	**406 176**	**459 639**
Interest rate derivatives						
Caps and floors	8 878 148	19 155	13 058	9 449 836	21 618	17 912
Swaps	37 046 882	180 641	57 799	32 638 653	308 834	118 350
OTC derivatives	**45 925 030**	**199 796**	**70 857**	**42 088 489**	**330 452**	**136 262**
Exchange traded futures	228 292	—	—	744 388	50	36
	46 153 322	**199 796**	**70 857**	**42 832 877**	**330 502**	**136 298**
Equity and stock index derivatives						
OTC options bought and sold	4 188 105	95 579	252 815	6 228 658	308 070	107 633
Equity swaps and forwards	695 478	19 689	7 710	7 412	—	786
OTC derivatives	**4 883 583**	**115 268**	**260 525**	**6 236 070**	**308 070**	**108 419**
Exchange traded futures	201 987	—	—	286 862	—	—
Exchange traded options	16 930 831	—	232 642	9 896 516	—	237 424
Warrants	412	19	—	15 909	—	—
	22 016 813	**115 287**	**493 167**	**16 435 357**	**308 070**	**345 843**
Commodity derivatives						
OTC options bought and sold	224 256	31 209	38 347	483 474	42 191	49 487
Commodity swaps and forwards	738 641	52 689	48 316	974 060	147 963	141 701
	962 897	**83 898**	**86 663**	**1 457 534**	**190 154**	**191 188**
Credit derivatives	**333 933**	**8 911**	**2 237**	**485 589**	**13 696**	**13 781**
Other derivatives		**4 483**			**2 137**	
Derivatives per balance sheet		**773 333**	**914 863**		**1 250 735**	**1 146 749**

^ Restated as detailed in note 59.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

25. Securities arising from trading activities

At 31 March £'000	2021	2020^
Asset-backed securities	5 160	6 200
Bonds	22 631	125 547
Government securities	4 101	46 737
Listed equities	249 753	78 161
	281 645	**256 645**

^ Restated as detailed in note 59.

26. Investment portfolio

At 31 March £'000	2021	2020
Listed equities	368 352	286 712
Unlisted equities*	345 963	348 585
	714 315	**635 297**

* Unlisted equities include loan instruments that are convertible into equity.

27. Loans and advances to customers and other loans and advances

At 31 March £'000	2021	2020
Gross loans and advances to customers at amortised cost	11 454 547	10 970 059
Gross loans and advances to customers at FVOCI^	534 059	421 841
Gross loans and advances to customers subject to expected credit losses	**11 988 606**	**11 391 900**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(164 373)	(173 389)
Net loans and advances to customers at amortised cost and FVOCI^	**11 824 233**	**11 218 511**
Loans and advances to customers at fair value through profit and loss	511 604	653 338
Net loans and advances to customers	**12 335 837**	**11 871 849**
Gross other loans and advances	123 580	191 992
Expected credit losses on other loans and advances	(44)	(62)
Net other loans and advances	**123 536**	**191 930**

^ Expected credit losses above do not include £5 million (31 March 2020: £2 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

For further analysis on loans and advances for the group refer to pages 78 to 85 in the risk management section.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27. Loans and advances to customers and other loans and advances (continued)

At 31 March £'000	2021
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	
Balance as at 1 April 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 as at 31 March 2020	**173 389**
Charge to the income statement	61 668
Reversals and recoveries recognised in the income statement	(41)
Write-offs	(71 317)
Exchange adjustments	674
Balance as at 31 March 2021	**164 373**
Expected credit loss of other loans and advances	
Balance as at 1 April 2019	**73**
Charge to the income statement	5
Exchange adjustments	(16)
Balance as at 31 March 2020	**62**
Release to the income statement	(53)
Exchange adjustments	35
Balance as at 31 March 2021	**44**

^ Expected credit losses above do not include £5 million (31 March 2020: £2 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS
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28. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2021	2020
Other securitised assets are made up of the following categories of assets:		
Loans and advances to customers	101 485	100 081
Other debt securities	5 774	6 137
Total other securitised assets	**107 259**	**106 218**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of other assets	**108 281**	**110 679**

29. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2021	2020
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	58 519	54 252
Goodwill	139	139
Investment in associated undertakings and joint venture holdings	**58 658**	**54 391**
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	54 252	53 010
Exchange adjustments	635	(762)
Disposals	—	(313)
Demerger of Investec Asset Management	—	(37)
Share of post-taxation profits of associates and joint venture holdings^	11 128	5 478
Dividends received	(7 496)	(3 124)
At the end of the year	**58 519**	**54 252**
Analysis of the movement in goodwill:		
At the beginning of the year	139	441
Disposals	—	(302)
At the end of the year	**139**	**139**

^ Included within the share of post-taxation profit from associates and joint venture holdings balance is profit of £299 000 (31 March 2020: £96 000) presented within operational items in the income statement.

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30. Deferred taxation

At 31 March £'000	2021	2020
Deferred taxation assets	110 750	130 657
Deferred taxation liabilities	(19 984)	(21 438)
Net deferred taxation assets	**90 766**	**109 219**
The net deferred taxation assets arise from:		
Deferred capital allowances	40 264	37 407
Income and expenditure accruals	30	16 229
Asset in respect of unexpired options	11 320	9 022
Unrealised fair value adjustments on financial instruments	36 261	40 125
Losses carried forward	12 286	18 211
Deferred tax on acquired intangibles	(9 710)	(12 090)
Other temporary differences	315	315
Net deferred taxation assets	**90 766**	**109 219**
Reconciliation of net deferred taxation assets		
At the beginning of the year	**109 219**	**127 647**
Charge to income statement – current year taxation	(17 227)	7 566
Movement directly in other comprehensive income	(3 136)	(9 358)
Arising on acquisitions/disposals	(300)	(16 602)
Exchange adjustments	2 210	(34)
At the end of the year	**90 766**	**109 219**

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 £68.9 million (2020: £58.4 million), capital losses carried forward of £177.2 million (2020: £173.5 million) and excess management expenses of £2.5 million (2020: £3.7 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%.

The UK Government has also announced a review of the current bank surcharge rate of 8% to ensure that the combined rate of corporation tax, applicable to banking entities, does not increase substantially from its current level when the proposed change to the main UK corporation tax rate comes into effect. Therefore, the company has not made an estimate of the impact of the post-balance sheet date change in the main UK corporation tax rate on the basis that it is uncertain what the combined rate of corporation tax, applicable to banking entities from 1 April 2023, will be until the UK Government has completed its review of the bank surcharge.

NOTES TO THE FINANCIAL STATEMENTS
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31. Other assets

At 31 March £'000	2021	2020
Gross other assets	1 392 596	1 421 287
Expected credit loss	—	(22)
Net other assets	**1 392 596**	**1 421 265**
Settlement debtors	865 283	791 239
Trading properties	24 758	36 081
Prepayments and accruals	67 566	68 517
Trading initial margin	6 857	27 221
Finance lease receivables	252 797	322 211
Other	175 335	175 996
	1 392 596	**1 421 265**

NOTES TO THE FINANCIAL STATEMENTS
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32. Property and equipment

At 31 March £'000	Freehold properties	Right of use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	**Total**
2021							
Cost							
At the beginning of the year	36	144 893	92 997	7 534	26 709	7 210	279 379
Exchange adjustments	—	(475)	(2 794)	45	(28)	(113)	(3 365)
Additions**	—	6 691	543	115	2 180	56	9 585
Disposals	—	(9 733)	(8 916)	(273)	(2 703)	(1 432)	(23 057)
At the end of the year	**36**	**141 376**	**81 830**	**7 421**	**26 158**	**5 721**	**262 542**
Accumulated depreciation							
At the beginning of the year	(36)	(16 946)	(23 310)	(2 875)	(13 252)	(6 005)	(62 424)
Exchange adjustments	—	612	(392)	(84)	(11)	77	202
Disposals	—	3 866	8 224	207	2 335	1 396	16 028
Depreciation charge for the year	—	(16 851)	(6 544)	(602)	(6 186)	(663)	(30 846)
At the end of the year	**(36)**	**(29 319)**	**(22 022)**	**(3 354)**	**(17 114)**	**(5 195)**	**(77 040)**
Net carrying value	**—**	**112 057**	**59 808**	**4 067**	**9 044**	**526**	**185 502**
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 Investec Asset Management	—	(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 Investec Asset Management	—	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**

* These are assets held by the group, in circumstances where the group is lessor.
** Additions include transfers from work in progress reported in other assets in the prior year.
^ Right of use assets primarily comprise property leases under IFRS 16.

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33. Goodwill

At 31 March £'000	2021	2020
Cost		
At the beginning of the year	290 117	384 982
Disposal of subsidiaries	(148)	(6 910)
Demerger of Investec Asset Management	—	(88 044)
Exchange adjustments	—	89
At the end of the year	**289 969**	**290 117**
Accumulated impairments		
At the beginning of the year	(28 934)	(28 934)
Impairments	(11 248)	—
Exchange adjustments	49	—
At the end of the year	**(40 133)**	**(28 934)**
Net carrying value	**249 836**	**261 183**
Analysis of goodwill by line of business:		
Wealth & Investment	236 319	236 319
Specialist Banking	13 517	24 864
Total group	**249 836**	**261 183**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Investec Wealth & Investment, goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 8.9% (2020: 8.7%) which incorporate an expected revenue growth rate of 2% in perpetuity (2020: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Specialist Banking, the goodwill of £13.5 million is made up of a number of individual cash-generating units within the line of business. These cash generating units are assessed for impairment considering current performance and budgets. There are no indications of impairment from the review of these balances except as discussed below in relation to Investec Ireland.

Movement in goodwill

During the year ended 31 March 2021, goodwill of £11.2 million in relation to Investec Ireland was written off as a result of the change in business following the Brexit impact and as such there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

In the prior year, goodwill of £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, refer to note 35.

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34. Intangible assets

At 31 March £'000	Software: Acquired software	Software: Internally generated software	Software: Total	Other acquired intangible assets: Management contracts*	Other acquired intangible assets: Client relationships*	Other acquired intangible assets: Total	Total
2021							
Cost							
At the beginning of the year	29 133	—	29 133	—	187 558	187 558	216 691
Exchange adjustments	(221)	—	(221)		80	80	(141)
Additions	1 541	1 702	3 243	—	2 021	2 021	5 264
Disposals	(2 187)	—	(2 187)	—	(3 392)	(3 392)	(5 579)
At the end of the year	**28 266**	**1 702**	**29 968**	**—**	**186 267**	**186 267**	**216 235**
Accumulated amortisation and impairments							
At the beginning of the year	(21 989)	—	(21 989)	—	(122 748)	(122 748)	(144 737)
Exchange adjustments	208	—	208		96	96	304
Disposals	2 182	—	2 182	—	2 517	2 517	4 699
Amortisation	(2 578)	—	(2 578)	—	(12 851)	(12 851)	(15 429)
At the end of the year	**(22 177)**	**—**	**(22 177)**	**—**	**(132 986)**	**(132 986)**	**(155 163)**
Net carrying value	**6 089**	**1 702**	**7 791**	**—**	**53 281**	**53 281**	**61 072**
2020							
Cost							
At the beginning of the year	26 838	—	26 838	592	187 704	188 296	215 134
Exchange adjustments	50	—	50	—	(146)	(146)	(96)
Additions	4 085	—	4 085	—	—	—	4 085
Disposals	(1 840)	—	(1 840)	—	—	—	(1 840)
Write-off	—	—	—	(592)	—	(592)	(592)
At the end of the year	**29 133**	**—**	**29 133**	**—**	**187 558**	**187 558**	**216 691**
Accumulated amortisation and impairments							
At the beginning of the year	(19 715)	—	(19 715)	(592)	(109 805)	(110 397)	(130 112)
Exchange adjustments	(16)	—	(16)	—	(28)	(28)	(44)
Disposals	717	—	717	—	—	—	717
Amortisation	(2 975)	—	(2 975)	—	(12 915)	(12 915)	(15 890)
Write-off	—	—	—	592	—	592	592
At the end of the year	**(21 989)**	**—**	**(21 989)**	**—**	**(122 748)**	**(122 748)**	**(144 737)**
Net carrying value	**7 144**	**—**	**7 144**	**—**	**64 810**	**64 810**	**71 954**

* Management contracts and client relationships are acquired intangibles.

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

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35. Acquisitions and disposals

There were no significant acquisitions of subsidiaries during the current and prior years.

During the year, Investec Bank plc sold the Investec Australia Property Fund (IAPF) management company for proceeds and a gain of £20.4 million. Additionally, a gain of £13 million was recognised from the formation of a joint venture with the State Bank of India, now measured at fair value, as a result of loss of control in Investec Capital Services (India) Private Limited.

During the prior year, the group completed the sale of its Republic of Ireland Wealth & Investment business for proceeds of €44 million and a net gain of £19 million. The decision to dispose of the business was taken in light of changes in Investec group’s Irish business model, brought about by Brexit planning and the ongoing consolidation taking place in the wealth management industry in Ireland. The sale did not impact the group’s other Irish businesses which have the necessary regulatory structure in place to continue to provide their existing range of specialist financial services.

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
Interest income	386
Interest expense	(2 620)
Net interest income	**(2 234)**
Fee and commission income	574 609
Fee and commission expense	(182 018)
Investment income	(2 042)
Trading income arising from	
– customer flow	—
– balance sheet management and other trading activities	1 634
Other operating income	4 697
Total operating income before expected credit loss impairment charges	**394 646**
Expected credit loss impairment charges	—
Operating income	**394 646**
Operating costs	(285 543)
Operating profit before acquired intangibles and strategic actions	**109 103**
Amortisation of acquired intangibles	—
Operating profit	**109 103**
Financial impact of group restructures	549 262
Profit before taxation	**658 365**
Taxation on operating profit before acquired intangibles and strategic actions	(19 112)
Taxation on acquired intangibles and strategic actions	1 253
Profit after taxation	**640 506**
Profit attributable to non-controlling interests of discontinued operations	(18 106)
Earnings attributable to shareholders	**622 400**

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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

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36. Other trading liabilities

At 31 March £'000	2021	2020
Short positions		
– Equities	38 399	33 755
– Bank debt securities	10 656	—
– Gilts	—	84 817
	49 055	**118 572**

37. Debt securities in issue

At 31 March £'000	2021	2020
Repayable in:		
Less than three months	45 890	81 287
Three months to one year	25 851	35 471
One to five years	1 490 054	1 115 897
Greater than five years	40 789	235 215
	1 602 584	**1 467 870**

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38. Other liabilities

At 31 March £'000	2021	2020
Settlement liabilities	387 733	813 820
Other creditors and accruals	290 897	260 102
Lease liabilities	387 165	478 558
Other non-interest bearing liabilities	129 716	105 543
Expected credit losses on off-balance sheet commitments and guarantees	8 821	3 613
	1 204 332	**1 661 636**

The maturity analysis of the lease liabilities is shown below:

	2021		2020	
At 31 March **£'000**	**Undiscounted lease payments**	**Present value**	Undiscounted lease payments	Present value
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	57 384	54 681	68 681	63 716
One to five years	318 418	281 513	250 195	223 402
Later than five years	52 826	50 971	224 573	191 440
	428 628	**387 165**	**543 449**	**478 558**

Reconciliation from opening balance to closing balance

At 31 March £'000	2021
Balance as at 1 April 2019	**—**
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 Investec Asset Management	(97 793)
Exchange adjustments	13 567
Balance as at 31 March 2020	**478 558**
Interest on lease liabilities	12 863
New leases	5 230
Disposals	(15 882)
Repayment of lease liabilities	(66 316)
Remeasurement of lease liabilities	630
Exchange adjustments	(27 918)
Balance as at 31 March 2021	**387 165**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

39. Pension commitments

At 31 March £'000	2021	2020
Income statement charge		
Defined benefit obligations net income included in net interest income	—	(2)
Defined benefit net costs included in administration costs	—	49
Cost of defined contribution schemes included in staff costs	29 157	28 413
Net income statement charge in respect of pensions	**29 157**	**28 460**

During the prior year, the group completed the demerger transaction to incorporate Ninety One (previously Investec Asset Management) as an independent company (refer to note 35). As a result of this, the assets and liabilities of the Ninety One UK pension scheme (the scheme: previously the Investec Asset Management pension scheme) were derecognised from the consolidated group balance sheet; a defined benefit obligation of £19.3 million and fair value plan assets of £18.0 million. Investec plc has no ongoing involvement with the scheme and has no liabilities or obligations in respect of the scheme at 31 March 2020.

At 31 March £'000	2021	2020
Recognised in the income statement		
Net interest income	—	2
Administration costs	—	(49)
Net income statement charge in respect of pensions	**—**	**(47)**
Recognised in statement of comprehensive income		
Return on plan assets (excluding amounts in net interest income)	—	245
Actuarial gain arising from changes in financial assumptions	—	(1 711)
Remeasurement of defined benefit asset	—	(1 466)
Deferred tax	—	249
Remeasurement of net defined benefit asset	**—**	**(1 217)**

NOTES TO THE FINANCIAL STATEMENTS
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40. Subordinated liabilities

At 31 March £'000	2021	2020
Issued by Investec Bank plc		
Subordinated fixed rate medium-term notes – FVPL	334 804	343 232
Subordinated fixed rate re-set callable medium-term notes – amortised cost	436 677	443 798
	771 481	**787 030**
Remaining maturities:		
In one year or less, or on demand*	334 804	—
In more than one year, but not more than two years	—	343 232
In more than two years, but not more than five years	—	—
In more than five years	436 677	443 798
	771 481	**787 030**
Reconciliation from opening balance to closing balance		
At the beginning of the year	**787 030**	**803 699**
Fair value movement	(8 429)	(24 556)
Accrual of interest	47 405	47 578
Repayment of interest	(47 491)	(47 491)
Hedge accounting/amortisation of discount	(7 034)	7 800
At the end of the year	**771 481**	**787 030**

* Where notes are undated the maturity has been taken as the first potential call date.

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

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

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

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

On 1 April 2018, the group adopted IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The impact of the IFRS 9 implementation on disclosing the subordinated liabilities at fair value of £716 546 000 against its amortised cost value of £579 673 000 was an increase in disclosed liability of £136 891 000.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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41. Ordinary share capital

At 31 March £'000	2021	2020
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	696 082 618	682 121 211
Issued during the year	—	13 961 407
At the end of the year	**696 082 618**	**696 082 618**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	138	136
Issued during the year	—	2
At the end of the year	**138**	**138**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	318 904 709	318 904 709
Issued during the year	—	—
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	64
Issued during the year	—	—
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 shares	**£'000**	**£'000**
At the beginning and end of the year	**	**

* Less than £1 000.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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	2021	2020
Opening balance	20 742 278	22 239 595
Demerger of Investec Asset Management	—	(1 106 749)
Issued during the year	8 455 609	7 630 226
Exercised	(5 649 509)	(5 832 860)
Lapsed	(1 116 728)	(2 187 934)
Closing balance	**22 431 650**	**20 742 278**

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

42. Perpetual preference shares of holding company

At 31 March £'000	2021	2020
Perpetual preference share capital	29	29
Perpetual preference share premium	24 765	24 765
	24 794	**24 794**
Issued by Investec plc		
2 754 587 (2020: 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 (2020: 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-denominated 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.		

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

43. Ordinary share premium

At 31 March £'000	2021	2020
Share premium account – Investec plc	**806 812**	**806 812**

44. Treasury shares

At 31 March £'000	2021	2020
Treasury shares held by subsidiaries of Investec plc	134 185	140 559
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	41 576 257	31 744 014
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	31 744 014	21 638 673
Purchase of own shares by subsidiary companies	17 339 892	17 422 083
Shares disposed of by subsidiaries	(7 507 649)	(7 316 742)
At the end of the year	**41 576 257**	**31 744 014**
Market value of treasury shares	**£'000**	**£'000**
Investec plc	91 135	48 219
	91 135	**48 219**

45. Other Additional Tier 1 securities in issue

At 31 March £'000	2021	2020
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**

On 5 October 2017, 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 of 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	2021	2020
Non-controlling interests in partially held subsidiaries	**390**	**3 369**

During the year, one subsidiary with a non-controlling interest (Outward VC Fund LLP) was deconsolidated by additional external investors investing in the entity, which resulted in a loss of control.

NOTES TO THE FINANCIAL STATEMENTS
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47. Finance lease disclosures

At 31 March £'000	2021 Total future minimum payments	2021 Present value	2020 Total future minimum payments	2020 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	239 982	199 103	253 900	207 279
One to five years	375 016	334 008	440 342	389 582
Later than five years	5 651	5 229	5 015	4 684
	620 649	**538 340**	**699 257**	**601 545**
Unearned finance income	**(82 309)**		**(97 712)**	
Net investment in the lease	**538 340**		**601 545**	

At 31 March 2021, unguaranteed residual values accruing to the benefit of the company were £10.7 million (2020: £10.7 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2021 Total future minimum payments	2021 Present value	2020 Total future minimum payments	2020 Present value
Finance lease receivables included in other assets				
Lease receivables due in:				
Less than one year	40 448	41 596	51 739	49 265
One to five years	251 377	209 053	182 472	162 389
Later than five years	2 184	2 148	149 367	110 557
	294 009	**252 797**	**383 578**	**322 211**
Unearned finance income	**(41 212)**		**(61 367)**	
Net investment in the lease	**252 797**		**322 211**	

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Notes to the cash flow statement

At 31 March £'000	2021	2020^
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:		
Profit before taxation from continuing and discontinued operations	92 125	660 718
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	11 248	—
Amortisation of acquired intangibles	12 851	12 915
Net gain on disposal of subsidiaries	(32 936)	(569 003)
Depreciation of operating lease assets	663	1 407
Depreciation and impairment of property, equipment, software and other intangibles	32 760	43 556
Expected credit loss impairment charges	71 196	75 800
Share of post-taxation profit of associates and joint venture holdings	(10 829)	(5 382)
Dividends received from associates and joint venture holdings	7 496	3 124
Share-based payments and employee benefit liability recognised	22 309	30 193
Profit before taxation adjusted for non-cash items	**206 883**	**253 328**
Decrease/(increase) in operating assets		
Loans and advances to banks	28 378	41 947
Reverse repurchase agreements and cash collateral on securities borrowed	393 577	(1 165 605)
Sovereign debt securities	(23 235)	(104 867)
Bank debt securities	3 189	1 027
Other debt securities	(13 633)	(188 062)
Derivative financial instruments	477 402	(625 511)
Securities arising from trading activities	(25 000)	172 475
Investment portfolio	36 356	138 906
Loans and advances to customers	(529 319)	(1 429 765)
Other loans and advances	68 447	15 928
Securitised assets	(1 041)	11 925
Other assets	27 079	(353 440)
Goodwill	148	—
Investment properties	—	14 500
	442 348	**(3 470 542)**
(Decrease)/increase in operating liabilities		
Deposits by banks	(65 690)	116 527
Derivative financial instruments	(231 886)	467 268
Other trading liabilities	(69 517)	38 355
Repurchase agreements and cash collateral on securities lent	(239 454)	82 476
Customer accounts	797 369	2 129 478
Debt securities in issue	134 714	(986 681)
Securitised liabilities	(2 398)	(3 032)
Other liabilities	(440 246)	276 143
	(117 108)	**2 120 534**

^ Restated as detailed in note 59.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Commitments

At 31 March £'000	2021	2020
Undrawn facilities	1 804 646	1 318 079
Other commitments	60 212	101 016
	1 864 858	**1 419 095**

* Expected credit losses on off-balance sheet positions of £9 million in the current year are reported with other liabilities.

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

	Carrying amount of pledged assets		Related liability	
At 31 March £'000	2021	2020^	2021	2020^
Pledged assets				
Loans and advances to banks	70 507	471 040	56 715	376 778
Reverse repurchase agreements and cash collateral on securities borrowed	159 600	109 434	126 064	100 365
Sovereign debt securities	273 265	349 831	251 603	313 749
Other debt securities	—	287 738	—	235 620
Securities arising from trading activities	62 464	158 101	59 955	147 116
Loans and advances to customers	261 496	306 768	123 702	251 202
Other loans and advances	4 628	29 513	3 718	23 584
	831 960	**1 712 425**	**621 757**	**1 448 414**

^ Restated as detailed in note 59.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Contingent liabilities

At 31 March £'000	2021	2020
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	398 809	347 177
	398 809	**347 177**

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 Investec Bank plc and its subsidiaries on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Support is provided by Investec plc to its subsidiaries where appropriate.

Financial Services Compensation Scheme
The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the 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. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

Investec Bank plc (Investec) has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceeding have been issued against Investec by the Office of the Public Prosecutor. Investec is cooperating with the German authorities and is conducting its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties. In relation to potential civil claims; while Investec is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, Investec has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec has itself served third party notices on various participants to these historic transactions in order to preserve statute of limitation on any potential future claims that Investec may seek to bring against those parties, should Investec incur any liability in the future. Investec has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec in future in relation to the relevant transactions. The group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure can be expected to seriously prejudice its outcome.

NOTES TO THE FINANCIAL STATEMENTS
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51. Related party transactions

At 31 March £'000	2021	2020
Compensation of key management personnel		
Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24		
Related party transactions for the compensation of key management personnel, have been included in the section marked as audited in the remuneration report in the Investec group's 2021 integrated annual report.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	7 765	28 180
Increase in loans	3 610	5 255
Decrease in loans*	(2 430)	(24 535)
Exchange adjustments	1	(1 135)
At the end of the year	**8 946**	**7 765**
Guarantees		
At the beginning of the year	592	13 360
Additional guarantees granted	1 545	918
Decrease in guarantees*	(187)	(13 686)
Exchange adjustments	1	—
At the end of the year	**1 951**	**592**
Deposits		
At the beginning of the year	(11 988)	(36 037)
Increase in deposits	(10 549)	(2 068)
Decrease in deposits*	8 307	26 116
Exchange adjustments	(1)	1
At the end of the year	**(14 231)**	**(11 988)**

* Decrease includes changes in leadership during the current year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

NOTES TO THE FINANCIAL STATEMENTS
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51. Related party transactions (continued)

At 31 March £'000	Investec Limited and subsidiaries 2021	Investec Limited and subsidiaries 2020
Transactions with other related parties		
Assets		
Loans and advances to banks	11 318	9 194
Derivative financial instruments	833	3 616
Other assets	4 163	24 408
Liabilities		
Deposits by banks	31 906	35 148
Derivative financial instruments	8 862	10 788
Customer accounts (deposits)	7 358	8 058
Debt securities in issue	29 133	75 271
Repurchase agreements and cash collateral on securities lent	18 342	21 423
Other liabilities	5 047	42 217

During the year to 31 March 2021, interest of £1.5 million (2020: £3.0 million) was paid to entities in the Investec Limited group. Interest of £90 000 (2020: £360 000) 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 2021, this resulted in a net payment to Investec Limited Group of £13.2 million (2020: £17.2 million).

During the year to 31 March 2021, Investec Wealth & Investment Limited paid a net amount of £22 400 for research services provided by Grovepoint (UK) Limited (2020: paid a net amount of £15 500 for research services provided by Grovepoint (UK) Limited. Bradley Fried is a former director of Investec Bank plc and 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 £54.4 million (2020: £47.8 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.

During the year to 31 March 2021, the Investec group received income from the Ninety One group (an associate of the Investec DLC group) of £342 000 (2020: £911 000) from premises subleases (which ceased during the year) and income of £8 000 (2020: £nil) relating to other business services provided to the Ninety One group. In addition, £292 000 of customer accounts (deposits) from the Ninety One group are held on balance sheet and a £37 000 debtor (31 March 2020: £nil) for IFRS 2 recharges in relation to the share scheme.

In addition, a lease guarantee of £8 025 000 (31 March 2021: £nil) has been provided by Investec plc on behalf of Ninety One, with income of £546 000 received during the year (2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS
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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 requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
2021							
Assets	Interest rate swap	2 826 737	(25 225)	(21 545)	26 900	21 895	(26 623)
Liabilities	Interest rate swap	401 899	(445)	(445)	(1 582)	469	1 760
		3 228 636	**(25 670)**	**(21 990)**	**25 318**	**22 364**	**(24 863)**
2020							
Assets	Interest rate swap	2 709 729	(52 184)	(48 139)	(35 149)	48 140	35 276
Liabilities	Interest rate swap	142 739	831	831	(71)	(913)	(38)
		2 852 468	**(51 353)**	**(47 308)**	**(35 220)**	**47 227**	**35 238**

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but original hedging instrument remains in place

Included within balance sheet management and other trading activities in the income statement is a £0.1 million gain (2020: £0.2 million gain) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

At 31 March £'000	Carrying amount of hedged item 2021	 2020
Hedged items		
Assets		
Sovereign debt securities	78 841	42 066
Other debt securities	5 577	12 319
Loans and advances to customers	2 600 554	1 352 046
Other assets	141 426	185 206
Liabilities		
Debt securities in issue	358 353	—
Customer accounts (deposits)	43 077	141 886

NOTES TO THE FINANCIAL STATEMENTS
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52. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged item							
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	36 285	13 000	40 000	89 285
Other debt securities	—	—	—	1 770	22 702	—	24 472
Loans and advances to customers	—	2 254	18 421	73 955	2 125 771	362 140	2 582 541
Other assets	2 277	4 566	6 894	14 000	113 689	—	141 426
Liabilities – notionals							
Debt securities in issue	—	—	—	—	353 894	5 292	359 186
Customer accounts (deposits)	—	—	35 004	2 000	5 710	—	42 714
2020							
Assets – notionals							
Sovereign debt securities	—	—	—	—	40 171	—	40 171
Other debt securities	—	—	—	—	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

Hedges of net investments in foreign operations

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	2021	2020
Hedging instrument positive fair value	(145)	(191)
Hedging instrument negative fair value	—	20

There was no ineffective portion recognised in the income statement for the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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
2021								
Liabilities								
Deposits by banks	253 926	51 025	1 318	2 439	718 396	366 502	—	1 393 606
Derivative financial instruments	452 040	56 987	60 624	59 000	96 280	216 676	15 405	957 012
Derivative financial instruments – held for trading	195 988	—	—	—	—	—	—	195 988
Derivative financial instruments – held for hedging risk	256 052	56 987	60 624	59 000	96 280	216 676	15 405	761 024
Other trading liabilities	49 055	—	—	—	—	—	—	49 055
Repurchase agreements and cash collateral on securities lent	55 767	53 869	—	—	47 721	—	—	157 357
Customer accounts (deposits)	6 200 464	870 372	2 770 063	3 282 642	1 153 109	1 753 692	118 975	16 149 317
Debt securities in issue	30 327	8 448	76 692	58 254	101 089	1 350 309	30 620	1 655 739
Liabilities arising on securitisation of other assets	—	—	2 348	2 178	4 256	31 307	85 503	125 592
Other liabilities*	115 502	465 134	79 004	83 494	112 017	319 449	63 198	1 237 798
Subordinated liabilities	—	—	—	17 850	337 603	71 400	473 550	900 403
Total on balance sheet liabilities	**7 157 081**	**1 505 835**	**2 990 049**	**3 505 857**	**2 570 471**	**4 109 335**	**787 251**	**22 625 879**
Contingent liabilities	1 206	6 644	901	9 090	28 798	249 522	102 651	398 812
Commitments	138 360	145 179	23 633	40 096	145 149	1 061 267	463 860	2 017 544
Total liabilities	**7 296 647**	**1 657 658**	**3 014 583**	**3 555 043**	**2 744 418**	**5 420 124**	**1 353 762**	**25 042 235**

* Included within other liabilities are £586 million of non-financial instruments scoped out of IFRS 9.

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows please refer to pages 98 to 99.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2020^								
Liabilities								
Deposits by banks	99 791	4 986	2 066	4 134	82 168	1 257 064	599	1 450 808
Derivative financial instruments	373 627	100 155	198 561	111 821	116 493	228 304	66 988	1 195 949
Derivative financial instruments – held for trading	136 166	—	—	—	—	—	—	136 166
Derivative financial instruments – held for hedging risk	237 461	100 155	198 561	111 821	116 493	228 304	66 988	1 059 783
Other trading liabilities	118 572	—	—	—	—	—	—	118 572
Repurchase agreements and cash collateral on securities lent	47 324	21 679	264 963	10 001	—	52 844	—	396 811
Customer accounts (deposits)	4 846 855	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**	**1 830 194**	**2 944 072**	**3 559 574**	**1 714 209**	**5 695 271**	**1 492 624**	**22 911 774**
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**	**1 841 052**	**2 986 744**	**3 686 608**	**1 858 075**	**6 696 490**	**1 835 435**	**24 818 515**

^ Restated as detailed in note 59.
* Included within other liabilities are £605 million of non-financial instruments scoped out of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

54. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

			Interest	
At 31 March £'000	Principal activity	Country of incorporation	**2021**	2020
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance PLC	Leasing	England and Wales	100%	100%
Investec Bank plc	Investment holding	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution and wealth manager	Switzerland	100%	100%
Investec Capital Asia Limited	Investment holding	Hong Kong	100%	100%
Investec Finance Limited	Debt issuer	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%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 29.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note i to the Investec plc company accounts on pages 261 to 265.

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
Cavern Funding 2020 Plc	Securitised auto receivables
Landmark Mortgage Securities No 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 Plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation refer to note 28.

Details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 91.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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 maximise the value of the assets held and investments in mining projects due to its exposure to equity like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £86 million (2020: £98.7 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank 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 111 to 112.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 20 and 57.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

At 31 March 2021 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	8 550	Limited to the carrying value	Investment income	204

At 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)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Unconsolidated structured entities

The table below describes the types of structured entities that the group does not consolidate, but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 172 to 182.

Type of structured entity	Nature and purpose	Interest held by the group/income earned
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

The table below sets out an analysis of the carrying amounts held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

At 31 March 2021 £'000	**Line on the balance sheet**	**Carrying value £'000**	**Maximum exposure to loss of the group**	**Total assets of the entity £'000**	**Income earned from structured entity**	**£'000**
Investment funds	Investment portfolio	193	Limited to the carrying value	—	Investment loss	(61)
Residential mortgage securitisations	Other loans and advances	627	Limited to the carrying value	1 583	Net interest expense	—

At 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 loss	—
Residential mortgage securitisations	Other debt securities	418	Limited to the carrying value	69 389	Net interest expense	(1)
					Investment loss	(13)
	Other loans and advances	1 224	Limited to the carrying value	2 887	Net interest expense	(32)

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year, the group has not provided any such support and does not have any current intentions to do so in the future.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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

	2021	2020
	Structured CDO and CLO securitisation^	Structured CDO and CLO securitisation^
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	This is a CDO and CLO securitisation where Investec Bank plc has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.
Income amount and type	Nil	Nil
Carrying amount of all assets transferred	£222 million of CDO and CLO assets	£222 million of CDO and CLO assets

^ Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the risk management report on page 91.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

56. Offsetting

At 31 March £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset*		
	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2021						
Assets						
Cash and balances at central banks	3 043 034	—	3 043 034	—	—	3 043 034
Loans and advances to banks	1 385 471	—	1 385 471	—	(124 649)	1 260 822
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	—	2 065 232	(121 967)	(43 280)	1 899 985
Sovereign debt securities	1 108 253	—	1 108 253	(232 592)	—	875 661
Bank debt securities	48 044	—	48 044	—	—	48 044
Other debt securities	698 961	—	698 961	—	—	698 961
Derivative financial instruments	773 333	—	773 333	(299 446)	(144 900)	328 987
Securities arising from trading activities	281 645	—	281 645	(59 977)	—	221 668
Investment portfolio	714 315	—	714 315	—	—	714 315
Loans and advances to customers	12 335 837	—	12 335 837	—	—	12 335 837
Other loans and advances	123 536	—	123 536	—	(4 628)	118 908
Other securitised assets	107 259	—	107 259	—	—	107 259
Other assets	1 392 596	—	1 392 596	—	—	1 392 596
	24 077 516	**—**	**24 077 516**	**(713 982)**	**(317 457)**	**23 046 077**
Liabilities						
Deposits by banks	1 352 581	—	1 352 581	—	(219 441)	1 133 140
Derivative financial instruments	914 863	—	914 863	(532 037)	(63 783)	319 043
Other trading liabilities	49 055	—	49 055	(25 830)	—	23 225
Repurchase agreements and cash collateral on securities lent	157 357	—	157 357	(37 425)	(4 551)	115 381
Customer accounts (deposits)	16 077 671	—	16 077 671	—	(29 335)	16 048 336
Debt securities in issue	1 602 584	—	1 602 584	(118 690)	(347)	1 483 547
Liabilities arising on securitisation of other assets	108 281	—	108 281	—	—	108 281
Other liabilities	1 204 332	—	1 204 332	—	—	1 204 332
Subordinated liabilities	771 481	—	771 481	—	—	771 481
	22 238 205	**—**	**22 238 205**	**(713 982)**	**(317 457)**	**21 206 766**

* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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**
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	—	(469 858)	1 324 307
Reverse repurchase agreements and cash collateral on securities borrowed	2 458 822	—	2 458 822	(220 931)	(2 866)	2 235 025
Sovereign debt securities	1 084 958	—	1 084 958	(237 461)	—	847 497
Bank debt securities	51 238	—	51 238	—	—	51 238
Other debt securities	685 936	—	685 936	—	—	685 936
Derivative financial instruments	1 250 735	—	1 250 735	(358 904)	(92 796)	799 035
Securities arising from trading activities	256 645	—	256 645	(156 113)	—	100 532
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	1 421 265	—	1 421 265	—	—	1 421 265
	24 086 376	**—**	**24 086 376**	**(973 409)**	**(596 882)**	**22 516 085**
Liabilities						
Deposits by banks	1 419 298	—	1 419 298	—	(97 479)	1 321 819
Derivative financial instruments	1 146 749	—	1 146 749	(596 365)	(402 222)	148 162
Other trading liabilities	118 572	—	118 572	(112 630)	—	5 942
Repurchase agreements and cash collateral on securities lent	396 811	—	396 811	(47 583)	(31 667)	317 561
Customer accounts (deposits)	15 280 302	—	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
	22 388 947	**—**	**22 388 947**	**(973 409)**	**(596 882)**	**20 818 656**

^ Restated as detailed in note 59.
* The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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.

	2021		2020	
No derecognition achieved £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	648 612	—	670 902	—
Loans and advances to banks	113 864	—	81 000	—
	762 476	**—**	**751 902**	**—**

The transferred assets above in both 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 on these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements refer to note 20.

58. Subsequent events

The group has considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Despite the uncertainty caused by the COVID-19 pandemic, management is satisfied that there were no such items identified of sufficient significance to warrant additional disclosure.

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

59. Restatements
Income statement restatements

Depreciation on operating leased assets

Depreciation on operating leased assets of £0.7 million (31 March 2020: £1.4 million), which was previously reported as a separate line item, has been included in operating costs. The prior year has been restated to reflect the same basis.

Balance sheet restatements

Current taxation assets and other assets

Current taxation assets of £58.2 million (31 March 2020: £4.6 million), which were previously reported within other assets, are now reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. The prior year has been re-presented to reflect the same basis.

Software and other acquired intangible assets

Software of £7.8 million (31 March 2020: £7.1 million), which was previously reported within Intangible assets, is now reported as a separate line item. The prior year has been re-presented to reflect the same basis.

Perpetual preference share capital and premium

Perpetual preference share premium of £24.8 million (31 March 2020: £24.8 million), which was previously reported within Ordinary share premium, is now reported within Perpetual preference share capital and premium. The prior year has been re-presented to reflect the same basis. The re-presentation of software and the perpetual preference share premium was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

Gilts and Total Return Swaps reclassification

As at 31 March 2021, amounts previously reported within sovereign debt securities, derivative financial instruments and securities arising from trading activities have been corrected to present them as reverse repurchase agreements and cash collateral on securities borrowed. This change in accounting treatment has been made where sovereign debt securities have been purchased at the same time as total return swaps with the same counterparty, such that the combined position has the economic substance similar to secured lending. The prior year balance sheet has been restated to give a consistent presentation. This change has no impact on the income statement. The impact of this change in the prior years is below:

£'000	At 31 March 2020 as previously reported	Reclassification	At 31 March 2020 restated
Assets			
Reverse repurchase agreements and cash collateral on securities borrowed	1 627 246	831 576	2 458 822
Sovereign debt securities	1 688 670	(603 712)	1 084 958
Derivative financial instruments	1 251 135	(400)	1 250 735
Securities arising from trading activities	582 693	(326 048)	256 645
Total assets	**24 924 703**	**(98 584)**	**24 826 119**
Liabilities			
Derivative financial instruments	1 245 333	(98 584)	1 146 749
Total liabilities	**22 535 874**	**(98 584)**	**22 437 290**

£'000	At 31 March 2019 as previously reported	Reclassification	At 31 March 2019 restated
Assets			
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	660 017	1 293 219
Sovereign debt securities	1 298 947	(318 798)	980 149
Derivative financial instruments	625 550	(326)	625 224
Securities arising from trading activities	798 224	(369 104)	429 120
Total assets	**22 636 653**	**(28 211)**	**22 608 442**
Liabilities			
Derivative financial instruments	707 692	(28 211)	679 481
Total liabilities	**20 351 381**	**(28 211)**	**20 323 170**

Cash flow statement restatements

Non-cash movements relating to the share based payments expense of £22.3 million (31 March 2020: £30.2 million), previously reported net of cash and deferred tax movements have been reported gross. The impact of this is a cash inflow from operating activities and outflow from financing activities of the above amounts. The prior year has been represented to reflect the same basis.

As at 31 March 2021, amounts previously reported within loans and advances to banks have been correctly presented as cash and cash equivalents. This change has been made to include items previously reported as loans and advances to banks identified as short term in nature, with a maturity date of less than three months, which therefore meet the definition of cash and cash equivalents. The change in the prior year was £0.6 billion, from £1.1 billion to £1.7 billion in on demand loans and advances to banks.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

Balance sheet

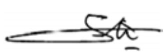
At 31 March 2021

£'000	Notes	**2021**	2020^
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 701 774	1 701 774
Securities issued by subsidiary undertaking	c	250 000	250 000
		1 951 774	**1 951 774**
Current assets			
Investments in listed equities		358 341	259 058
Amounts owed by group undertakings		517 696	511 543
Taxation		11 790	10 891
Deferred tax assets		900	942
Prepayments and accrued income		1 035	4 414
Cash at bank and in hand			
– with subsidiary undertakings		136 264	163 521
– balances with other banks		520	471
		1 026 546	**950 840**
Current liabilities			
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		6 244	6 244
Other liabilities		5 467	5 268
Accruals and deferred income		8 513	12 952
Net current assets		**1 006 322**	**926 376**
Creditors: amounts falling due after one year			
Debt securities in issue	d	418 980	419 112
Net assets		**2 539 116**	**2 459 038**
Capital and reserves			
Ordinary share capital	g	202	202
Ordinary share premium	g	806 812	806 812
Capital reserve	g	180 606	180 606
Fair value reserve		136 798	37 515
Retained earnings	g	1 139 904	1 159 109
Ordinary shareholders' equity		**2 264 322**	**2 184 244**
Perpetual preference share capital and premium	g	24 794	24 794
Shareholders' equity excluding non-controlling interests		**2 289 116**	**2 209 038**
Other Additional Tier 1 securities in issue	g	250 000	250 000
Total capital and reserves		**2 539 116**	**2 459 038**

^ Restated as detailed in note 59.

The notes on pages 259 and 265 form an integral part of the financial statements.

The company's profit for the year, determined in accordance with the Companies Act 2006, was £15 284 317 (2020: £174 517 881). Approved and authorised for issue by the board of directors on 22 June 2021 and signed on its behalf by:



Fani Titi

Chief Executive

22 June 2021

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

Statement of changes in shareholders' equity

£'000	Ordinary share capital	Ordinary share premium	Capital reserve	Fair value reserve	Retained earnings	**Ordinary shareholders' equity**	Perpetual preference share capital and premium^	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	**Total equity**
At 31 March 2019	**200**	**1 357 967**	**180 606**	**—**	**355 394**	**1 894 167**	**24 794**	**1 918 961**	**250 000**	**2 168 961**
Issue of ordinary shares	2	64 643	—	—	—	64 645	—	64 645	—	64 645
Total comprehensive income	—	—	—	37 515	172 606	210 121	—	210 121	—	210 121
Dividends paid to preference shareholders	—	—	—	—	(549)	(549)	—	(549)	—	(549)
Dividends paid to ordinary shareholders	—	—	—	—	(96 498)	(96 498)	—	(96 498)	—	(96 498)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(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	—	642 400
Distribution to shareholders	—	—	—	—	(513 162)	(513 162)	—	(513 162)	—	(513 162)
At 31 March 2020	**202**	**806 812**	**180 606**	**37 515**	**1 159 109**	**2 184 244**	**24 794**	**2 209 038**	**250 000**	**2 459 038**
Total comprehensive income	—	—	—	99 283	16 119	115 402	—	115 402	—	115 402
Dividends paid to preference shareholders	—	—	—	—	(437)	(437)	—	(437)	—	(437)
Dividends paid to ordinary shareholders	—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	(18 007)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 880)	(16 880)
At 31 March 2021	**202**	**806 812**	**180 606**	**136 798**	**1 139 904**	**2 264 322**	**24 794**	**2 289 116**	**250 000**	**2 539 116**

^ Restated as detailed in note 59.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

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 Pound 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 Pound Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pound 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 instruments measured at FVOCI
The group measures equity instruments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield. The equity instruments are not held for trading. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

Otherwise, equity instruments 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.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

a. Basis of preparation (continued)
Financial assets
Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as amortised cost 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

At 31 March £'000	2021	2020
At the beginning of the year	1 701 774	1 551 774
Additions	—	242 305
Disposals	—	(92 305)
At the end of the year	**1 701 774**	**1 701 774**

In the prior year, 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. Additionally, in the prior 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.

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. On 22 January 2019, the company acquired a further £50 million of AT1 securities issued by Investec Bank plc.

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.

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 11 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 Other 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 Investec group's integrated annual report for the year ended 31 March 2021.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

i. Subsidiaries

At 31 March 2021	Principal activity	Interest held
*Directly owned by Investec plc		
United Kingdom **Registered office: 30 Gresham Street, London, EC2V 7QP, UK**		
Investec 1 Limited*	Investment holding company	100%
Investec Holding Company Limited*	Investment holding company	100%
Investec (UK) Limited	Holding company	100%
Guinness Mahon Group Limited	Holding company	100%
Investec Bank plc	Banking institution	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 Limited	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant nominee company	100%
EVO Nominees Limited	Dormant nominee company	100%
Evolution Securities Nominees Limited	Dormant nominee company	100%
IEC UK Investment Management Limited	Leasing company	100%
The Leasing Acquisition General Partnership	Leasing partnership	n/a
Investec Finance Limited	Debt issuance	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
ICF Investments Limited	Investment holding company	100%
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%
Inv-German Retail Ltd (previously Canada water (Developments) Limited)	Property company	100%
Investec Securities Limited	Investment holding company	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%
Nars Holdings Limited	Holding company	100%
Nars Operating Limited	Holding company	100%
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee company	100%
Evolution Capital Investment Limited	Investment holding company	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

i. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
Investec Investments Limited	Investment holding company	100%
PSV Marine Limited	Shipping holding company	100%
PSV Anjali Limited	Shipping holding company	100%
PSV Randeep Limited	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	100%
Registered office: 30 Gresham Street, London EC2V 7QN, UK		
Investec Wealth & Investment Limited	Investment management services	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc	Leasing company	100%
Investec Asset Finance (No.8) Limited	Holding company	100%
Australia		
Registered office: Level 23, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000, Australia		
IEC Funds Management Pty Limited	Fund manager	100%
Investec Holdings Australia Limited	Holding company	100%
Investec Australia Property Investments Pty Limited	Holding company for property investment	100%
Investec Australia Finance Limited	Lending company	100%
Investec Australia Limited	Financial services	100%
Bowden (Lot 32) Holdings Pty Limited	Holding company	100%
Bowden (Lot 32) Direct Pty Limited	Development company	100%
Investec Australia Direct Investments Pty Limited	Investment company	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 Credit Funds Management Pty Limited	Trustee company	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

i. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
British Virgin Islands		
Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
Cayman Islands		
Registered office: 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005		
Investec Pallinghurst (Cayman) LP	Investment holding partnership	58.30%
China		
Registered office: Room 6D-67, 6th Floor, No. 213 Building, Tairan Science and Technology Park, Tairan 4th Road, Tianan Community, Shatou Sub-District, Futian District, Shenzhen, Guangdong, China		
Investec Shenzhen Limited	Dormant	100%
France		
Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, FRANCE		
SCI CAP Philippe	Property company	100%
Guernsey		
Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee services	100%
Investec Bank (Channel Islands) Limited	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee services	100%
Bayeux Limited	Corporate director	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Corporate director	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

i. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance company	100%
Hong Kong		
Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong		
Investec Capital Asia Limited	Investment banking	100%
Investec Capital Markets Limited	Investment banking	100%
India		
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Global Services Private Limited	Technical support company	100%
Ireland		
Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland		
Aksala Limited	Property company	100%
Investec Holdings (Ireland) Limited	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Private Finance Ireland Limited	Retail credit firm	100%
Investec Ventures Ireland Limited	Venture capital	100%
Venture Fund Private Principals Limited	Special partner	100%
Investec Europe Limited	MiFiD firm	100%
Luxembourg		
Registered office: 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg		
Investec Finance SARL	Dormant	100%
Singapore		
Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095		
Investec Singapore Pte Limited	Securities services	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

i. Subsidiaries (continued)

At 31 March 2021	Principal activity	Interest held
Switzerland **Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland**		
Reichmans Geneva SA	Trading company	100%
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution and wealth manager	100%
United States of America **Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA**		
US Multifamily GP LLC	Investment holding company	100%
Investec USA Holdings Corporation Inc	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC Investment	Investment holding company	100%
Fuel Cell IP 2 LLC Investment	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%

Associates and joint venture holdings

At 31 March 2021	Principal activity	Interest held
Australia **Registered office: Point Cook Road, Point Cook, Victoria, Australia**		
Point Cook (Trust Project No 9)	Property development	50%
British Virgin Islands **Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands**		
imarkets (Holdings) Limited	Online trading platform	33%
Luxembourg **Registered office: 15, Rue Bender, L1229 Luxembourg**		
Investec GLL Global Special Opportunities Real Estate Fund	Property development	5%
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%

ALTERNATIVE PERFORMANCE MEASURES

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

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

Adjusted operating profit Refer to the calculation in the table below

£'000	**31 March 2021**	31 March 2020
Operating profit before goodwill, acquired intangibles and strategic actions	108 837	130 250
Add: Loss/(profit) attributable to other non-controlling interests	861	(864)
Adjusted operating profit	109 698	129 386

Annuity income Net interest income plus net annuity fees and commissions

Refer to page 185 and 186

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

£'million	**31 March 2021**	31 March 2020
Loans and advances to customers per the balance sheet	12 336	11 872
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(2)
Net core loans	**12 331**	**11 870**
of which amortised cost and FVOCI ("subject to ECL")	11 819	11 217
of which FVPL	512	653
Add: ECL	170	175
Gross core loans	**12 501**	**12 045**
of which amortised cost and FVOCI ("subject to ECL")	11 989	11 392
of which FVPL	512	653

Cost to income ratio Refer to calculation in the table below

£'000	**31 March 2021**	31 March 2020
Operating costs^ (A)	766 367	742 199
Total operating income before expected credit loss impairment charges	946 400	948 249
Add: Loss/(profit) attributable to other non-controlling interests	861	(864)
Total (B)	947 261	947 385
Cost to income ratio (A/B)	80.9%	78.3%

^ Restated as detailed in note 59.

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 185
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

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

ECL
Expected credit loss

Funds under management
Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and lease receivables.

Refer to page 185 for calculation

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

Refer to page 185 for calculation

Legacy business in the UK Specialist Bank ('Legacy')
Legacy, as separately disclosed from 2013 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero
Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered.

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 2013 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

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

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 91 for detail

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

GLOSSARY

The following abbreviations have been used throughout this report:

ABC	Anti-bribery and corruption
ADR Forum	Arrears, Default and Recovery Forum
AGM	Annual general meeting
AI	Artificial Intelligence
ALCO	Asset and Liability Committee
AML	Anti-money laundering
APRA	Australian Prudential Regulation Authority
AT1	Additional Tier 1
BBLS	Bounce Back Loan Scheme
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CAM	Combined Assurance Matrix
CBILS	Coronavirus Business Interruption Loan Scheme
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFP	Contingency funding plan
CFT	Combating the financing of terrorism
CLBILS	Coronavirus Large Business Interruption Loan Scheme
CLO	Collateralised loan obligation
CLR	Credit Loss Ratio
COFI Bill	Conduct of Financial Institutions Bill
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CSA	Credit Support Annex
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
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
EQAR	Engagement Quality Assurance Review
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
Euribor rate	Euro interbank offered rate
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GFSC	Guernsey Financial Services Commission
GM	Guinness Mahon
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
HR	Human resources
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
IAPF	Investec Australia Property Fund
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IT	Information technology
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
LTI	Long-term incentive
MDR	Mandatory Disclosure Rules
MLRO	Money Laundering Reporting Officer
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
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials

GLOSSARY
CONTINUED

PD	Probability of default
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RLS	Recovery Loan Scheme
RPA technologies	Robotic Process Automation technologies
RRP	Recovery Resolution Plan
RWA	Risk-weighted asset
RFR	Risk-free ratee
S&P	Standard & Poor's
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
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
STI	Short-term incentive
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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