OUT OF THE ORDINARY

Investec

# Built on strong foundations

**Investec Integrated Annual Report**

Vol 3
Investec annual financial statements

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

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## Annual financial statements



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## Annexures

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01

# 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 6 to 24, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the UK Companies Act and South African Companies Act 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 and South African Companies Act, and the parent company financial statements in accordance with the UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). 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 (DTR), 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 South African 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 and South African 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 80 to 82 of volume one, 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 South African 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 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.

## DIRECTORS RESPONSIBILITIES
CONTINUED

**Chief Executive and Group Finance Director responsibility statement**
The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 25 to 151, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

**Fani Titi**
Chief Executive
22 June 2021

**Nishlan Samujh**
Group Finance Director
22 June 2021

**Financial results**
The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2021.

The preparation of these combined results was supervised by the Group Finance Director, Nishlan Samujh.

**Approval of annual financial statements**
The directors' report and the annual financial statements of the companies and the group, which appear on pages 78 to 130 in volume one and pages 25 to 151 respectively, were approved by the board of directors on 22 June 2021.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the UK governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the boards of Investec plc and Investec Limited

PKO Crosthwaite.

**Perry Crosthwaite**
Chair
22 June 2021

**Fani Titi**
Chief Executive
22 June 2021

**Declaration by the company secretary**
In terms of Section 88(2)(e) of the South African Companies Act, I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2021, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

**Niki van Wyk**
Company secretary, Investec Limited
22 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC

# Opinion

In our opinion:

- Investec plc's combined consolidated group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared 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;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 101 "Reduced Disclosure Framework"); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Under the contractual arrangements implementing the dual listed companies structure, Investec plc and Investec Limited and their subsidiaries effectively form a single economic enterprise (the "group"), in which the economic and voting rights of shareholders are equalised. We have audited the financial statements of Investec plc (the "parent company") and the group for the year ended 31 March 2021 which comprise:

| Group | Parent company |
|---|---|
| Combined consolidated balance sheet as at 31 March 2021 | Balance sheet as at 31 March 2021 |
| Combined consolidated income statement for the year then ended | Statement of changes in equity for the year then ended |
| Combined consolidated statement of total comprehensive income for the year then ended | Related notes a to i to the financial statements |
| Combined consolidated statement of changes in equity for the year then ended | |
| Combined consolidated cash flow statement for the year then ended | |
| Related notes 1 to 63 to the financial statements | |
| Information identified as 'audited' in the annual report on Directors' remuneration report in Volume One | |
| Information identified as 'audited' in the annual report on risk disclosures in Volume Two | |

The financial reporting framework that has been applied in the preparation of the combined consolidated group financial statements is applicable law and 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. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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. Due to the nature of the dual listed companies structure and there being no cross-guarantees in place between Investec plc and Investec Limited, we assessed the going concern assumption for the Investec plc silo and for the Investec Limited silo as well as for the group. Our evaluation of the directors' assessment of the group and parent company'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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

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), Financial Conduct Authority (FCA) and South African Reserve Bank (SARB) 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.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 and parent company's ability to continue as a going concern.

**Overview of our audit approach**

| | |
|---|---|
| **Audit scope** | • We performed an audit of the complete financial information of six components and audit procedures on specific balances for a further two components.<br>• The components where we performed full or specific audit procedures accounted for 99% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions, 99% of Revenue and 100% of Total assets. |
| **Key audit matters** | • Adequacy of the provision for expected credit losses on loans and advances to customers;<br>• Valuation of level 3 financial and non-financial instruments and the valuation of the UK structured products book;<br>• IT systems and controls impacting financial reporting: and<br>• Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims. |
| **Materiality** | • We applied group materiality of £23.1 million, which represents 5% of adjusted operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ("adjusted operating profit"). |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
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**An overview of the scope of our audit**
Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the group. Taken together, this enables us to form an opinion on the combined consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and other factors such as changes in the business environment when assessing the level of work to be performed at each component.

Of the eight components selected, we performed an audit of the complete financial information of six components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

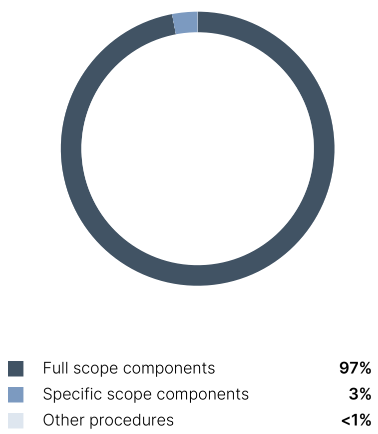
| Component | Scoping |
|---|---|
| Investec Bank Limited | Full |
| Investec Bank plc | Full |
| Investec Limited (consolidation) | Full |
| Investec Life Limited | Specific |
| Investec Markets (Pty) Limited | Full |
| Investec Property Fund | Full |
| Investec Property Group Holding (Pty) Limited | Specific |
| Investec Securities (Pty) Limited | Full |

The reporting components for which we performed audit procedures accounted for 99% (2020: 99%) of the group's adjusted operating profit, 99% (2020: 90%) of the group's revenue and 99% (2020: 99%) of the group's total assets. For the current year, the full scope components contributed 97% (2020: 97%) of the group's adjusted operating profit, 99% (2020: 97%) of the group's revenue and 99% (2020: 99%) of the group's total assets. The specific scope components contributed 3% (2020: 3%) of the group's adjusted operating profit, 1% (2020: 3%) of the group's revenue and 1% (2020: 1%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

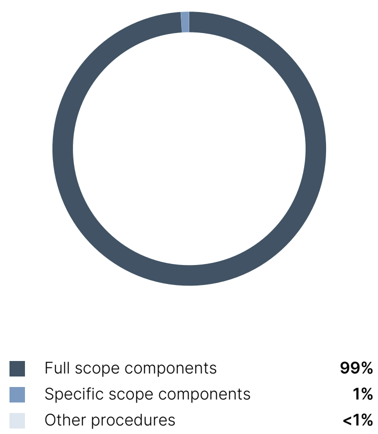
As a result of the COVID-19 outbreak and resulting lockdown restrictions in all of the countries where full or specific scope audit procedures have been performed, we have modified our audit strategy to allow for the audit to be performed remotely at both the group and component locations. This approach was supported through remote user access to the group's financial systems and the use of EY collaboration tools for the secure and timely delivery of requested audit evidence.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

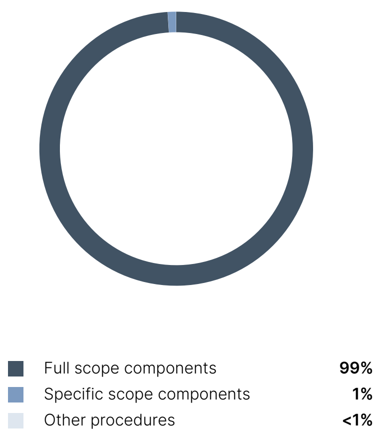
Adjusted operating profit




Revenue




Total assets



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
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**Changes from the prior year**
The only changes from the prior year were the inclusion of Investec Markets (Pty) Limited as a standalone full scope component and Investec Securities (Pty) Limited changing from a specific scope to full scope component due to their increased relative contribution to the overall group adjusted operating profit.

**Involvement with component teams**
In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

During the current year's audit cycle, due to COVID-19, in-person reviews undertaken by the primary audit team were necessarily replaced with virtual reviews. These reviews involved video conference meetings where we discussed the audit approach with the component team and key matters arising from their work. The primary team interacted regularly with component teams and maintained a continuous and open dialogue with them, as well as holding formal meetings at key phases of the audit, to ensure that the primary team were fully aware of their progress and the results of their procedures. The primary team also reviewed key working papers and were responsible for the scope and direction of the audit process. In some instances, we attended audit team meetings with key component management and component Audit Committee meetings.

In response to developments in the prior years we enhanced the oversight procedures performed over components audited by other firms in South Africa. These enhancements have continued in the current year including additional virtual reviews by the primary team, direct involvement of the independent review partner with the component teams and review of the components' auditors' independent quality review process.

This, together with the additional procedures at group level, gave us appropriate evidence for our opinion on the group financial statements.

**Key audit matters**
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

| Risk | Our response to the risk |
|---|---|
| **Adequacy of the provision for expected credit losses on loans and advances to customers**<br><br>Refer to the Audit Committee Report (page 104 of Volume One); Accounting policies (pages 38 and 39 and page 44); and Note 29 of the Consolidated Financial Statements (page 96)<br><br>The determination of the allowance for expected credit losses is highly subjective. The ongoing impact of COVID-19 continues to result in additional judgements and assumptions being applied as at 31 March 2021.<br><br>At the year-end the group reported gross loans and advances to customers subject to expected credit losses of £25 749 million (2020: £24 152 million); expected credit losses on loans and advances to customers at amortised cost and FVOCI of £297 million (2020: £324 million); and expected credit loss impairment charges of £99 million (2020: £133 million).<br><br>Given the subjective nature of the calculation of Expected Credit Loss ("ECL") there is a heightened risk that the provisions could be manipulated.<br><br>We focused on the following:<br>• Staging/assessment of significant increase in credit risk: Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages;<br>• Multiple economic scenarios: The appropriateness of the economic scenarios determined by management, the probability weights assigned to each and the inputs and assumptions used to estimate their impact;<br>• ECL model: The assumptions used in the models to calculate ECL, including:<br>– Completeness and accuracy of historical data used to calibrate the models;<br>– Completeness and accuracy of data used to run the models; and<br>– Key model assumptions and techniques, including in-model adjustment where floors for the impact of macroeconomic inputs have been applied.<br>• <u>Post model adjustments:</u> Adequacy of post model adjustments, including post model adjustment in relation to the effect of COVID-19<br>• <u>Individually assessed provisions:</u> Individually assessed provisions where the measurement of the provision is dependent on the valuation collateral, estimates of exit values, the timing of cash flows and discount rates; and | To address the significant judgements and estimates we focused on the following key procedures:<br><br>**Staging/assessment of significant increase in credit risk**<br>We assessed the design and tested the operating effectiveness of key controls focusing on the following:<br>• Assessment and approval of a significant increase or reduction in credit risk and monitoring of asset levels in each stage. This included our consideration of management's assessment of the impact of payment holidays granted to counterparties as a result of COVID-19;<br>• Approval of staging criteria;<br>• Assessment of manual overrides to staging outcomes; and<br>• Data quality.<br>We also performed substantive testing for a sample of assets in stages 1, 2 and 3 to evaluate they were included in the appropriate stage.<br><br>**Multiple economic scenarios**<br>We assessed the design and tested operating effectiveness of key controls focusing on the following:<br>• Generation and approval of base case scenario;<br>• Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and<br>• Production and approval of models used to calculate the ECL impact of the scenarios.<br>We also reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the joint Audit and Board Risk and Capital Committee where the economic scenarios were approved.<br><br>We involved our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data.<br><br>We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios.<br><br>**ECL model**<br>We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9.<br><br>We involved our modelling specialists to test assumptions used in the ECL model including the in-model adjustments to the Investec plc silo models.<br><br>This included performing an assessment of:<br>• the model design documentation against accepted industry principles;<br>• the appropriateness of the methodology, considering alternative techniques including the in-model adjustments; and<br>• the programming code to review its consistency with the design documentation.<br>We also tested a sample of the historical and reporting date data used in the models by tracing back to the source systems.<br><br>**Post model adjustments**<br>For the Investec plc silo COVID-19 overlay we used our modelling specialists to assess the adjustment made by management to reflect the impact from COVID-19 and the offsetting effect of government measures by considering the data, judgements, methodology and sensitivity analysis of these adjustments. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

| **Risk** continued | **Our response to the risk** continued |
|---|---|
| • Individually assessed provisions: Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values, the timing of cash flows and discount rates; and<br>• Disclosures: Finance and credit processes to produce the financial statement disclosures.<br>The level of risk has remained consistent with the prior year. | We obtained an understanding of the model limitations to evaluate the appropriateness of the related adjustments. We also independently recalculated these adjustments.<br>For the Investec Limited silo COVID-19 overlay in relation to emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios we have assessed the reasonableness of management's assumptions against independent sources.<br>**Individually assessed provisions**<br>We assessed the design and tested operating effectiveness of key controls focusing on the following processes:<br>• The calculation of the provision, incorporating collateral valuations and work out strategies, and annual credit reviews.<br>• The estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable;<br>• The approval of the final provision amount by management's impairment decision committee; and<br>• The existence and legal right to collateral.<br>We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retail, hotel and leisure properties and transport including aviation. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies.<br>We also considered the potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising.<br>**Disclosures**<br>We evaluated the adequacy of disclosures in the financial statements including the appropriateness assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures. |

We performed full scope audit procedures over this risk area in three components. These three components covered 99% (2020: 99%) of the risk amount.

**Key observations communicated to the Audit Committee**

Based on the testing performed we concluded that impairment provisions made by management were within a reasonable range of outcomes and in compliance with IFRS 9.

We highlighted the following matters to the Audit Committee:

- Overall provision levels were reasonable which also considered available peer information and our understanding of the credit environment;
- Where the design of key controls was effective, we tested those key controls and concluded they had operated effectively. We identified a limited number of design deficiencies that required us to perform compensating substantive procedures to conclude on the balances.
- Our testing of models and model assumptions highlighted some design deficiencies resulting in judgemental differences; however, these did not result in a material impact on the financial statements.
- The in-model and post-model adjustments applied were reasonable and addressed model shortcomings identified; and
- For individually assessed impairments and the COVID-19 overlay, judgemental differences both increasing and decreasing impairment levels were identified; however, none of these individually or in aggregate were material to the financial statements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

| Risk | Our response to the risk |
|---|---|
| **Valuation of level 3 financial and non-financial instruments and the valuation of the UK structured products book**<br><br>Refer to the Audit Committee Report (page 103 of volume One); Accounting policies (pages 36 - 38, 40 - 41 and 44); and Note 17 of the Consolidated Financial Statements (page 78 to 86)<br><br>For level 3 instruments there is necessarily a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements which are material.<br><br>At the year end the group reported level 3 assets of £2,193 million (2020: £2,235 million) and level 3 liabilities of £181 million (2020: £138 million).<br><br>The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgements, were the fair value aviation loans and unlisted property investments portfolios.<br><br>Significant judgement is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated.<br><br>We have also included £278 million of level 2 assets and £624 million of level 2 liabilities held in relation to the UK structured products book within this risk in the current period given their size and the subjectivity involved in the valuation of this book (see page 6 of Volume Two in the annual report for further details). | We assessed the design and tested operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken.<br><br>We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis.<br><br>Where inputs or assumptions were not observable in the market, we involved our valuation specialists to assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market.<br><br>In addition, specifically for:<br><br>• the fair value aviation loans and unlisted property investments portfolios we involved our aircraft and property valuation specialists to independently assess the valuations; and<br>• the elevated risk in the UK structured products book we increased the extent of the sample of positions independently revalued by our valuation specialists, we tested the completeness and accuracy of the valuation adjustments held against the portfolio and assessed management's conclusions in relation to the fair value hierarchy disclosures in accordance with IFRS 13 Fair Value Measurement. |
| We performed full audit procedures over this risk area for five components, which covered 99% (2020: 98%) of the risk amount. | |

| Key observations communicated to the Audit Committee |
|---|
| We concluded that key controls tested were designed and operated effectively; therefore, we could place reliance on these key controls for the purposes of our audit.<br><br>Our substantive testing of Level 3 positions highlighted some judgemental differences both increasing and decreasing valuation levels; however, none of these individually or in aggregate were material to the financial statements.<br><br>Based on our substantive testing on the UK structured products book we concluded that the valuations, including associated valuation adjustments, are appropriate at the balance sheet date and have been correctly classified within the fair value hierarchy disclosures. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

| Risk | Our response to the risk |
| --- | --- |
| **IT systems and controls impacting financial reporting**<br><br>The group relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to:<br>• User access management across application, database and operating systems;<br>• Controls over changes to the IT environment, including transformation that changes the IT landscape;<br>• IT operational controls; and<br>• IT application or IT-dependent controls.<br>Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.<br><br>A series of remediation programmes were in place by management during the year to address previously identified control deficiencies. This has decreased the risk compared to the prior year with the risk now focused on segregation of IT duties in the change management process and user access controls. | We have evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting. We have tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations, and tested the completeness and accuracy of system and data feeds.<br><br>In response to control deficiencies existing during the year we performed the following additional testing procedures to mitigate the risks identified:<br>• We understood the nature of the deficiency and, where possible, obtained further evidence to support the appropriateness of any activities performed;<br>• Tested downstream compensating business controls; and<br>• Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations. |
| The primary audit engagement team and component auditors have considered the impact of IT systems and controls impacting financial reporting throughout the audit. | |

| Key observations communicated to the Audit Committee |
| --- |
| We noted an improvement in the IT control environment compared with the prior year due to the remediation programmes management have put in place. However, we continue to identify control deficiencies predominately in relation to segregation of IT duties in the change management process and user access controls.<br><br>We are satisfied, based on the initial and additional testing outlined above, that the findings identified in relation to the IT control environment relevant to the financial statements have not resulted in a material misstatement. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

| Risk | Our response to the risk |
|---|---|
| **Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims**<br><br>Refer to the Audit Committee Report (page 108 of volume One); Accounting policies (page 43); and Note 54 of the Consolidated Financial Statements (page 125)<br><br>There are ongoing investigations into historical German dividend arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne.<br><br>Whilst the Group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the Group in the future.<br><br>Consequently, management made judgements about the adequacy of provisions which are subject to change in future periods as more information becomes available.<br><br>The level of risk has remained the same as the prior year. | We examined the latest court rulings and analysis performed by management which set out the basis for the judgement in relation to the historical German dividend arbitrage transactions.<br><br>We also inspected the correspondence between the group and its external advisors and between the group and Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of proceedings.<br><br>With the assistance of specialists, we have considered the matters in dispute and used our knowledge of the law to assess the available evidence.<br><br>We also evaluated the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims. |
| We performed full scope audit procedures over this risk area in the component impacted by the risk. | |

| Key observations communicated to the Audit Committee |
|---|
| Based on the information that is currently available we are satisfied with management's judgement in respect of their assessment of the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims and the disclosure presented in the financial statements. |

In the current year's auditor's report, we have removed the risk relating to the accounting for the demerger of Investec Asset Management due to the one-off nature of the transaction and we incorporated the impact of COVID-19 into existing risk areas, where appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

# Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

- We determined materiality for the group to be £23.1million (2020: £34.4million), which is 5% (2020: 5%) of adjusted operating profit. We believe that adjusted operating profit provides us with the most appropriate measure to reflect the performance of the group, it is consistent with the wider industry and is the standard for listed and regulated entities. The adjustments made to the operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions of (£377.0million) were the removal of:
  - risk management and risk reduction costs relating to the UK Structured Products book of £93.0million (as set out on page 6, Statement from the Chief Risk Officer in Volume Two),
  - profits recognised from the sale of Investec Australia Property Fund (IAPF) management company of £20.4million (as set out on page 106, Note 38 Acquisitions and disposals and discontinued operation),
  - profits recognised from the formation of a joint venture with State Bank of India of £13.0million (as set out on page 106, Note 38 Acquisitions and disposals and discontinued operation), and
  - restructuring costs of £26.0million (as set out on page 35, CFO report in Volume One).

## Starting basis

- Starting point – £377.0million
- Operating profit before goodwill, acquired intangibles and strategic actions

↓

## Adjustments

- Details of adjustments – £85.6million (explained above)

↓

## Materiality

- Totals £462.6million
- Materiality of £23.1million (5% of materiality rate)

During the course of our audit, we reassessed initial materiality and determined, other than the adjustments noted above, no significant changes were required to our materiality calculations.

- We determined materiality for the parent company to be £6.7million (2020: £5.4million), which is 1% (2020: 1%) of distributable equity. There has been no change in the basis from the prior year. We believe this reflects the most useful measure for users of the financial statements as the parent company's primary purpose is to act as a holding company with investments in the group's subsidiaries.

**Performance materiality**
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £11.6million (2020: £17.2million). We have set performance materiality at this percentage based on our understanding of the entity and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.3million to £6.4million (2020: £1.7million to £9.5million).

**Reporting threshold**
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.1million (2020: £1.7million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**
The other information comprises the information included in the annual report and accounts, including the Directors Report (set out on pages 117 to 123 of Volume One), Strategic Report (Strategic Focus set out on pages 3 to 75 of Volume One), Environmental social and governances (ESG) (set out on pages 76 to 150 of Volume One), Risk disclosures (set out on pages 5 to 91 of Volume Two), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

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.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

**Corporate Governance Statement**
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 122, Directors report in Volume One of the annual report);
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate (set out on page 120 Directors report in Volume One of the annual report);
- Directors' statement on fair, balanced and understandable (set out on page 106 DLC Audit Committee report in Volume One of the annual report)and;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 10 Principal Risk in Volume Two of the annual report);
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page 108 DLC Audit Committee report in Volume One of the annual report) and;
- The section describing the work of the audit committee (set out on page 101 DLC Audit Committee report in Volume One of the annual report).

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**
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 group and management.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC
CONTINUED

- 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, FCA and SARB
  - 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 parent company and UK and South African regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk Committee; and gained an understanding of the group and parent company's approach to governance, demonstrated by the Board's approval of the group and parent 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 parent company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA, FCA and SARB.
- The group and parent 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 parent company has established to address risks identified by the group and parent company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with the laws and regulations identified above. Our procedures included inquiries of management, internal audit and those responsible for legal and compliance matters; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify 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/auditorsresponsibilities. This description forms part of our auditor's report.

**Other matters we are required to address**

- Following the recommendation from the audit committee we were appointed by the parent company on 27 November 2000 to audit the financial statements for the year ending 31 March 2001 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 21 years, covering the years ending 31 March 2001 to 31 March 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Manprit Dosanjh (Senior statutory auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
22 June 2021

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED

**To the Shareholders of Investec Limited**

## Report on the Audit of the Combined Consolidated Financial Statements

### Opinion

We have audited the accompanying combined consolidated financial statements of Investec Limited, incorporating Investec plc, ("the Group") which comprise:

| Combined consolidated financial statements | Reference (Volume 3) |
|---|---|
| Combined consolidated income statement for the year then ended | Page 25 |
| Combined consolidated statement of comprehensive income for the year then ended | Page 26 |
| Combined consolidated balance sheet as at 31 March 2021 | Page 27 |
| Combined consolidated cash flow statement for the year then ended | Page 32 |
| Combined consolidated statement of changes in equity for the year then ended | Pages 28-31 |
| Accounting policies | Pages 33-45 |
| Notes 1 to 62 to the combined consolidated financial statements | Pages 46-142 |
| Specified disclosures in the risk management section marked as audited | Volume 2 |
| Remuneration report | Volume 1 |

In our opinion, the combined consolidated financial statements present fairly, in all material respects, the combined consolidated balance sheet of the Group as at 31 March 2021, and its combined consolidated income statement and combined consolidated statement of comprehensive income and combined consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the combined consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the combined consolidated financial statements of the current period. These matters were addressed in the context of our audit of the combined consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the combined consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the combined consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying combined consolidated financial statements.

The following Key Audit Matters apply equally to the audit of the consolidated financial statements:

- Adequacy of the allowance for expected credit losses on loans and advances to customers;
- Valuation of level 3 financial and non-financial instruments and the valuation of the UK structured products book;
- IT systems and controls impacting financial reporting (Investec PLC); and
- Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims (Investec PLC).

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

| Key Audit Matter | Our audit response to the key audit matter |
|---|---|
| **Adequacy of the provision for expected credit losses on loans and advances to customers**<br><br>Refer to the Audit Committee Report (page 106 of Volume One); Accounting policies (page 37); and Note 6 of the Consolidated Financial Statements (page 59).<br><br>The determination of the allowance for expected credit losses is highly subjective. The ongoing impact of COVID-19 continues to result in additional judgements and assumptions being applied as at 31 March 2021.<br><br>At the year-end the group reported gross loans and advances to customers subject to expected credit losses of £25 749 million (2020: £24 152 million); expected credit losses on loans and advances to customers at amortised cost and FVOCI of £297 million (2020: £324 million); and expected credit loss impairment charges of £99 million (2020: £133 million).<br><br>Given the subjective nature of the calculation of Expected Credit Loss (ECL) there is a heightened risk that the provisions could be manipulated.<br><br>We considered the following to be a key audit matter:<br>• Staging/ Assessment of significant change in credit risk: Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages;<br>• Multiple economic scenarios: The appropriateness of the economic scenarios determined by management, the probability weights assigned to each and the inputs and assumptions used to estimate their impact;<br>• ECL model: The assumptions used in the models to calculate ECL, including:<br>  • Completeness and accuracy of historical data used to calibrate the models;<br>  • Completeness and accuracy of data used to run the models; and<br>  • Key model assumptions and techniques, including in-model adjustment where floors for the impact of macroeconomic inputs have been applied.<br>• Post model adjustments: Adequacy of post model adjustments, including post model adjustment in relation to the effect of COVID-19;<br>• Individually assessed provisions: Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values, the timing of cash flows and discount rates; and<br>• Disclosures: Finance and credit processes to produce the financial statement disclosures. | Our audit effort included the following procedures to address the key audit matter:<br><br>**Staging/ Assessment of significant increase in credit risk**<br>We assessed the design and tested the operating effectiveness of key controls focusing on the following:<br>• Assessment and approval of a significant increase or reduction in credit risk and monitoring of asset levels in each stage. This included our consideration of management's assessment of the impact of payment holidays granted to counterparties as a result of COVID-19;<br>• Approval of staging criteria;<br>• Assessment of manual overrides to staging outcomes; and<br>• Data quality.<br>We also performed substantive testing for a sample of assets in stages 1, 2 and 3 to evaluate they were included in the appropriate stage.<br><br>**Multiple economic scenarios**<br>We assessed the design and tested operating effectiveness of key controls focusing on the following:<br>• Generation and approval of base case scenario;<br>• Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and<br>• Production and approval of models used to calculate the ECL impact of the scenarios.<br>We also reviewed the governance processes that the group have put in place to review and approve the economic scenarios. As part of this assessment we attended the joint Audit and Board Risk and Capital Committee where the economic scenarios were approved.<br><br>We involved our economists to help us to assess both the base case and alternative scenarios generated, including the probability weights applied. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data.<br><br>We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios.<br><br>**ECL model**<br>We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9.<br><br>We involved our modelling specialists to test assumptions used in the ECL model including the in-model adjustments to the Investec plc silo models.<br><br>This included performing an assessment of:<br>• the model design documentation against accepted industry principles;<br>• the appropriateness of the methodology, considering alternative techniques including the in-model adjustments; and<br>• the programming code to review its consistency with the design documentation. |

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

| **Key Audit Matter** continued | **Our audit response to the key audit matter** continued |
|---|---|
| | We also tested a sample of the historical and reporting date data used in the models by tracing back to the source systems.<br><br>**Post model adjustments**<br>For the Investec plc silo COVID-19 overlay we used our modelling specialists to assess the adjustment made by management to reflect the impact from COVID-19 and the offsetting effect of government measures by considering the data, judgements, methodology and sensitivity analysis of these adjustments.<br><br>We obtained an understanding of the model limitations to evaluate the appropriateness of the related adjustments. We also independently recalculated these adjustments.<br><br>For the Investec Limited silo COVID-19 overlay in relation to emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios we have assessed the reasonableness of management's assumptions against independent sources.<br><br>**Individually assessed provisions**<br>We assessed the design and tested operating effectiveness of key controls focusing on the following processes:<br>• The calculation of the provision, incorporating collateral valuations and work out strategies, and annual credit reviews;<br>• The estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable;<br>• The approval of the final provision amount by management's impairment decision committee; and<br>• The existence and legal right to collateral.<br><br>We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retail, hotel and leisure properties and transport including aviation. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies.<br><br>We also considered the potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising.<br><br>**Disclosures**<br>We evaluated the adequacy of disclosures in the financial statements including the appropriateness assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures. |

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

| Key Audit Matter | Our audit response to the key audit matter |
|---|---|
| **Valuation of level 3 financial and non-financial instruments and the valuation of the UK structured products book**<br><br>Refer to the Accounting policies (page 44); and Note 17 of the Consolidated Financial Statements (page 78).<br><br>**Level 3 financial and non-financial instruments**<br>At the year end the group reported level 3 assets of £2,193 million (2020: £2,235 million).<br><br>For level 3 instruments there is necessarily a large degree of subjectivity surrounding the inputs to their valuations.<br><br>With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental. This may result in subjective fair value movements which are material.<br><br>The portfolios within level 3 with the greatest valuation uncertainty, which hence required the most significant accounting and auditing judgements, were the fair value aviation loans and unlisted property investments portfolios.<br><br>Significant judgement is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated.<br><br>**UK Structured Products**<br>We have also included £278 million of level 2 assets and £624 million of level 2 liabilities held in relation to the UK structured products book within this risk in the current period given their size and the subjectivity involved in the valuation of this book. (see page 6 of volume 2 for further details). | **Level 3 financial and non-financial instruments**<br>We assessed the design and tested operating effectiveness of key controls for the valuation of level 3 financial instruments. For certain unlisted investments in private equity businesses and investment properties where it was more effective to do so a substantive approach was taken.<br><br>We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis.<br><br>Where inputs or assumptions were not observable in the market, we involved our valuation specialists to assess if the inputs and assumptions fell within an acceptable range, based on relevant knowledge and experience of the market.<br><br>In addition, specifically for the fair value aviation loans and unlisted property investments portfolios we involved our aircraft and property valuation specialists to independently assess the valuations.<br><br>**UK Structured Products**<br>Due to the elevated risk in the UK structured products book we increased the extent of the sample of positions independently revalued by our valuation specialists, we tested the completeness and accuracy of the valuation adjustments held against the portfolio and assessed management's conclusions in relation to the fair value hierarchy disclosures in accordance with IFRS 13 Fair Value Measurement. |

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

| Key Audit Matter | Our audit response to the key audit matter |
|---|---|
| **IT systems and controls impacting financial reporting (Investec PLC)**<br><br>The group relies significantly on automated and IT dependent manual controls. As part of our audit we rely upon the IT control environment, in particular in relation to:<br>• User access management across application, database and operating systems;<br>• Controls over changes to the IT environment, including transformation that changes the IT landscape;<br>• IT operational controls; and<br>• IT application or IT-dependent controls.<br><br>Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.<br><br>A series of remediation programmes were in place by management during the year to address previously identified control deficiencies. This has decreased the risk compared to the prior year with the risk now focused on segregation of IT duties in the change management process and user access controls. | We have evaluated the design and tested the operating effectiveness of IT controls over the key applications, operating systems and databases that are relevant to financial reporting. We have tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations, and tested the completeness and accuracy of system and data feeds.<br><br>In response to control deficiencies existing during the year we performed the following additional testing procedures to mitigate the risks identified:<br>• We understood the nature of the deficiency and, where possible, obtained further evidence to support the appropriateness of any activities performed;<br>• Tested downstream compensating business controls; and<br>• Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations. |

| Key Audit Matter | Our audit response to the key audit matter |
|---|---|
| **Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims (Investec PLC)**<br><br>Refer to the Audit Committee Report (page 108 of volume one); Accounting policies (page 43); and Note 54 of the Consolidated Financial Statements (page 125)<br><br>There are ongoing investigations into historical German dividend arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne.<br><br>Whilst the Group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the Group in the future.<br><br>Consequently, management made judgements about the adequacy of provisions which are subject to change in future periods as more information becomes available. | We examined the latest court rulings and analysis performed by management which set out the basis for the judgements in relation to the historical German dividend arbitrage transactions.<br><br>We also inspected the correspondence between the group and its external advisors and between the group and Office of the Public Prosecutor in Cologne. In addition, we obtained a legal confirmation from the group's external legal counsel to confirm the current status of proceedings.<br><br>With the assistance of specialists, we have considered the matters in dispute and used our knowledge of the law to assess the available evidence.<br><br>We also evaluated the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil claims. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

**Other information**
The directors are responsible for the other information. The other information comprises the Directors' Report, the Directors' Responsibility Statement and the Company Secretary's Certificate as required by the Companies Act of South Africa, and all other information included in the annual report that is not marked as audited. The other information does not include the combined consolidated financial statements, the sections marked as audited in the report and our auditor's report thereon.

Our opinion on the combined consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the combined consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Combined Consolidated Financial Statements**
The directors are responsible for the preparation and fair presentation of the combined consolidated financial statements in accordance with the basis of presentation described in the accounting policies to the financial statements and for such internal control as the directors determine is necessary to enable the preparation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Combined Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the combined consolidated 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 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 combined consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

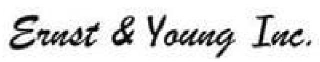
- Identify and assess the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined consolidated financial statements, including the disclosures, and whether the combined consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the combined consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the combined consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Investec Limited for 46 years.




**Ernst & Young Inc.**
Registered Auditor
Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director

22 June 2021

# COMBINED CONSOLIDATED INCOME STATEMENT

| **For the year to 31 March**<br>**£'000** | Notes | **2021** | 2020^ |
|---|---|---|---|
| Interest income | 2 | 1 922 299 | 2 683 985 |
| Interest income calculated using the effective interest method | | 1 695 811 | 2 353 373 |
| Other interest income | | 226 487 | 330 612 |
| Interest expense | 2 | (1 144 193) | (1 845 416) |
| **Net interest income** | 2 | **778 106** | **838 569** |
| Fee and commission income | 3 | 791 153 | 852 025 |
| Fee and commission expense | 3 | (42 275) | (47 118) |
| Investment income | 4 | 32 002 | 39 268 |
| Share of post-taxation profit of associates and joint venture holdings | | 42 459 | 27 244 |
| Trading income/(loss) arising from | | | |
| – customer flow | | 35 566 | 63 254 |
| – balance sheet management and other trading activities | | (18 903) | 26 720 |
| Other operating income | 5 | 22 953 | 6 877 |
| **Total operating income before expected credit loss impairment charges** | | **1 641 061** | **1 806 839** |
| Expected credit loss impairment charges | 6 | (99 438) | (133 301) |
| **Operating income** | | **1 541 623** | **1 673 538** |
| Operating costs | 7 | (1 164 513) | (1 186 427) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | | **377 110** | **487 111** |
| Impairment of goodwill | 36 | (11 599) | (145) |
| Impairment of associates and joint venture holdings | 31 | (16 773) | (45 400) |
| Amortisation of acquired intangibles | 37 | (15 287) | (15 656) |
| Amortisation of acquired intangibles of associates | 31 | (9 268) | (448) |
| Closure and rundown of the Hong Kong direct investments business | 13 | 7 386 | (89 257) |
| **Operating profit** | | **331 569** | **336 205** |
| Financial impact of group restructures | 13 | — | (25 725) |
| **Profit before taxation from continuing operations** | | **331 569** | **310 480** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | 10 | (74 539) | (54 690) |
| Taxation on acquired intangibles and strategic actions | 10 | 1 712 | 21 693 |
| **Profit after taxation from continuing operations** | | **258 742** | **277 483** |
| Profit after taxation from discontinued operations | 38 | — | 954 979 |
| **Profit after taxation** | | **258 742** | **1 232 462** |
| Loss/(profit) attributable to other non-controlling interests | 50 | 472 | (67 952) |
| Loss attributable to other non-controlling interests relating to impairments of associates | 50 | 9 126 | — |
| Profit attributable to non-controlling interests of discontinued operations | 38 | — | (29 347) |
| **Earnings attributable to shareholders** | | **268 340** | **1 135 163** |

^ Restated as detailed in note 62 on pages 141 and 142.

# COMBINED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

| For the year to 31 March<br>£'000 | Notes | 2021 | 2020 |
|---|---|---|---|
| Profit after taxation from continuing operations | | 258 742 | 277 483 |
| **Other comprehensive income/(loss) from continuing operations:** | | | |
| **Items that may be reclassified to the income statement:** | | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | | 242 | (40 304) |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | | 152 355 | (139 977) |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | | (717) | (5 503) |
| Foreign currency adjustments on translating foreign operations | | 111 779 | (314 078) |
| **Items that will never be reclassified to the income statement:** | | | |
| Effect of rate change on deferred taxation relating to adjustment for IFRS 9 | | 380 | (1 761) |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | | 1 778 | (3 931) |
| Remeasurement of net defined benefit pension liability | | (39) | (1 217) |
| Movement in post-retirement benefit liabilities | | — | 51 |
| Net (loss)/gain attributable to own credit risk | | (850) | 9 515 |
| **Total comprehensive income/(loss) from continuing operations** | | **523 670** | **(219 722)** |
| Total comprehensive income/(loss) attributable to ordinary shareholders from continuing operations | | 448 637 | (235 960) |
| Total comprehensive income/(loss) attributable to non-controlling interests from continuing operations | | 37 846 | (28 022) |
| Total comprehensive income attributable to perpetual preferred securities from continuing operations | | 37 187 | 44 260 |
| **Total comprehensive income/(loss) from continuing operations** | | **523 670** | **(219 722)** |
| Profit after taxation from discontinued operations | | — | 954 979 |
| **Other comprehensive loss from discontinued operations:** | | | |
| **Items that will never be reclassified to the income statement:** | | | |
| Foreign currency adjustments on translating foreign operations | | — | (13 980) |
| **Total comprehensive income from discontinued operations** | | **—** | **940 999** |
| Total comprehensive income attributable to ordinary shareholders from discontinued operations | | — | 914 448 |
| Total comprehensive income attributable to non-controlling interests from discontinued operations | | — | 26 551 |
| **Total comprehensive income from discontinued operations** | | **—** | **940 999** |
| Profit after taxation from the total group | | 258 742 | 1 232 462 |
| **Other comprehensive income from the total group:** | | | |
| **Items that may be reclassified to the income statement:** | | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | 10 | 242 | (40 304) |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | 10 | 152 355 | (139 977) |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | 10 | (717) | (5 503) |
| Foreign currency adjustments on translating foreign operations | | 111 779 | (328 058) |
| **Items that will never be reclassified to the income statement:** | | | |
| Effect of rate change on deferred taxation relating to adjustment for IFRS 9 | | 380 | (1 761) |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | 10 | 1 778 | (3 931) |
| Re-measurement of net defined benefit pension asset | | (39) | (1 217) |
| Movement in post-retirement benefit liabilities | | — | 51 |
| Net (loss)/gain attributable to own credit risk | 10 | (850) | 9 515 |
| **Total comprehensive income** | | **523 670** | **721 277** |
| Total comprehensive income attributable to ordinary shareholders | | 448 637 | 678 488 |
| Total comprehensive income/(loss) attributable to non-controlling interests | | 37 846 | (1 471) |
| Total comprehensive income attributable to perpetual preferred securities | | 37 187 | 44 260 |
| **Total comprehensive income from the total group** | | **523 670** | **721 277** |

## COMBINED CONSOLIDATED BALANCE SHEET

| At 31 March<br>£'000 | Notes | 2021 | 2020^ |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 20 | 3 517 100 | 3 932 048 |
| Loans and advances to banks | 21 | 2 699 317 | 2 666 851 |
| Non-sovereign and non-bank cash placements | | 439 841 | 632 610 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 22 | 3 575 713 | 3 796 179 |
| Sovereign debt securities | 23 | 3 711 623 | 3 990 181 |
| Bank debt securities | 24 | 1 121 730 | 604 921 |
| Other debt securities | 25 | 1 364 235 | 1 430 419 |
| Derivative financial instruments | 26 | 1 714 743 | 2 033 999 |
| Securities arising from trading activities | 27 | 1 024 671 | 718 397 |
| Investment portfolio | 28 | 909 050 | 998 935 |
| Loans and advances to customers | 29 | 26 041 087 | 24 588 074 |
| Own originated loans and advances to customers securitised | 30 | 401 912 | 324 638 |
| Other loans and advances | 29 | 102 135 | 132 486 |
| Other securitised assets | 30 | 140 087 | 134 865 |
| Interests in associated undertakings and joint venture holdings | 31 | 679 157 | 701 311 |
| Current taxation assets | | 60 325 | 6 612 |
| Deferred taxation assets | 32 | 246 622 | 265 896 |
| Other assets | 33 | 2 165 438 | 1 927 816 |
| Property and equipment | 34 | 329 972 | 356 573 |
| Investment properties | 35 | 832 061 | 863 864 |
| Goodwill | 36 | 259 805 | 270 625 |
| Software | 37 | 12 574 | 14 643 |
| Other acquired intangible assets | 37 | 58 968 | 71 657 |
| Non-current assets classified as held for sale | | 51 783 | 58 905 |
| | | **51 459 949** | **50 522 505** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 39 | 52 405 | 35 227 |
| | | **51 512 354** | **50 557 732** |
| **Liabilities** | | | |
| Deposits by banks | | 2 403 712 | 3 498 254 |
| Derivative financial instruments | 26 | 2 190 487 | 2 150 265 |
| Other trading liabilities | 40 | 326 189 | 509 522 |
| Repurchase agreements and cash collateral on securities lent | 22 | 1 003 312 | 1 577 346 |
| Customer accounts (deposits) | | 34 449 430 | 32 220 976 |
| Debt securities in issue | 41 | 1 892 319 | 1 737 191 |
| Liabilities arising on securitisation of own originated loans and advances | 30 | 160 646 | 76 696 |
| Liabilities arising on securitisation of other assets | 30 | 108 281 | 110 679 |
| Current taxation liabilities | | 78 790 | 51 308 |
| Deferred taxation liabilities | 32 | 40 333 | 44 788 |
| Other liabilities | 42 | 2 013 003 | 2 211 487 |
| | | **44 666 502** | **44 188 512** |
| Liabilities to customers under investment contracts | 39 | 49 798 | 32 845 |
| Insurance liabilities, including unit-linked liabilities | 39 | 2 607 | 2 382 |
| | | **44 718 907** | **44 223 739** |
| Subordinated liabilities | 44 | 1 480 951 | 1 436 361 |
| | | **46 199 858** | **45 660 100** |
| **Equity** | | | |
| Ordinary share capital | 45 | 247 | 247 |
| Ordinary share premium | 47 | 1 517 852 | 1 517 852 |
| Treasury shares | 48 | (267 508) | (272 881) |
| Other reserves | | (788 222) | (976 297) |
| Retained income | | 3 772 628 | 3 593 384 |
| **Ordinary shareholders' equity** | | **4 234 997** | **3 862 305** |
| Perpetual preference share capital and premium | 46 | 174 053 | 168 518 |
| **Shareholders' equity excluding non-controlling interests** | | **4 409 050** | **4 030 823** |
| Other Additional Tier 1 securities in issue | 49 | 335 111 | 295 593 |
| Non-controlling interests | 50 | 568 335 | 571 216 |
| – Perpetual preferred securities issued by subsidiaries | | 72 750 | 69 259 |
| – Non-controlling interests in partially held subsidiaries | | 495 585 | 501 957 |
| **Total equity** | | **5 312 496** | **4 897 632** |
| **Total liabilities and equity** | | **51 512 354** | **50 557 732** |

^ Restated as detailed in note 62 on pages 141 and 142.

# COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| £'000 | Ordinary share capital | Ordinary share premium^ | Treasury shares |
|---|---|---|---|
| **At 1 April 2019** | **245** | **2 277 381** | **(189 134)** |
| **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 | — | — | — |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | — | — | — |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | — | — | — |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Foreign currency adjustments on translating foreign operations | — | — | — |
| Net gain attributable to own credit risk | — | — | — |
| Remeasurement of net defined benefit pension liability | — | — | — |
| Movement in post-retirement benefit liabilities | — | — | — |
| **Total comprehensive income for the year** | **—** | **—** | **—** |
| Issue of ordinary shares | 2 | 64 645 | — |
| Net equity movements in interests in associated undertakings | — | — | — |
| Movement of treasury shares | — | — | (102 446) |
| Share-based payments adjustments | — | — | — |
| Transfer from regulatory risk reserve | — | — | — |
| Transfer from share-based payments reserve to treasury shares | — | — | 18 699 |
| Capital reduction | — | (615 797) | — |
| Non-controlling interest relating to disposal of subsidiaries | — | — | — |
| Movement in non-controlling interests due to share issues in subsidiary | — | — | — |
| Employee benefit liability recognised | — | — | — |
| Dividends declared to other equity holders including other Additional Tier 1 securities | — | — | — |
| Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities | — | — | — |
| Dividends paid to ordinary shareholders | — | — | — |
| Dividends paid to non-controlling interests | — | — | — |
| Distribution to shareholders | — | (208 377) | — |
| **At 31 March 2020** | **247** | **1 517 852** | **(272 881)** |

^ Restated as detailed in note 62 on pages 141 and 142.

## COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

| Other reserves | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital reserve account | Fair value reserve | Regulatory general risk reserve | Cash flow hedge reserve | Foreign currency reserves | Own credit risk reserve | Retained income | **Ordinary shareholders' equity** | Perpetual preference share capital^ | **Shareholders' equity excluding non-controlling interests** | Other Additional Tier 1 securities in issue | Non-controlling interests | **Total equity** |
| **10 447** | **(1 957)** | **45 432** | **(58 840)** | **(552 710)** | **(19 863)** | **2 611 256** | **4 122 257** | **194 156** | **4 316 413** | **303 728** | **630 873** | **5 251 014** |
| | | | | | | | | | | | | |
| — | — | — | — | — | — | 1 135 163 | 1 135 163 | — | 1 135 163 | — | 97 299 | 1 232 462 |
| — | (1 514) | — | — | — | (247) | — | (1 761) | — | (1 761) | — | — | (1 761) |
| — | — | — | (40 304) | — | — | — | (40 304) | — | (40 304) | — | — | (40 304) |
| — | (139 977) | — | — | — | — | — | (139 977) | — | (139 977) | — | — | (139 977) |
| — | (5 503) | — | — | — | — | — | (5 503) | — | (5 503) | — | — | (5 503) |
| — | (3 931) | — | — | — | — | — | (3 931) | — | (3 931) | — | — | (3 931) |
| — | — | — | — | (195 515) | — | — | (195 515) | (25 638) | (221 153) | (8 135) | (98 770) | (328 058) |
| — | — | — | — | — | 9 515 | — | 9 515 | — | 9 515 | — | — | 9 515 |
| — | — | — | — | — | — | (1 217) | (1 217) | — | (1 217) | — | — | (1 217) |
| — | — | — | — | — | — | 51 | 51 | | 51 | — | — | 51 |
| **—** | **(150 925)** | **—** | **(40 304)** | **(195 515)** | **9 268** | **1 133 997** | **756 521** | **(25 638)** | **730 883** | **(8 135)** | **(1 471)** | **721 277** |
| — | — | — | — | — | — | — | 64 647 | — | 64 647 | — | — | 64 647 |
| — | — | — | — | — | — | (2 387) | (2 387) | — | (2 387) | — | — | (2 387) |
| (18 852) | — | — | — | — | — | — | (121 298) | — | (121 298) | — | — | (121 298) |
| — | — | — | — | — | — | 46 599 | 46 599 | — | 46 599 | — | — | 46 599 |
| — | — | (4 086) | — | — | — | 4 086 | — | — | — | — | — | — |
| — | — | — | — | — | — | (18 699) | — | — | — | — | — | — |
| — | — | — | — | — | — | 615 797 | — | — | — | — | — | — |
| 1 608 | — | — | — | — | — | — | 1 608 | — | 1 608 | — | (28 708) | (27 100) |
| — | — | — | — | — | — | (4 372) | (4 372) | — | (4 372) | — | 49 628 | 45 256 |
| — | — | — | — | — | — | (14 833) | (14 833) | — | (14 833) | — | — | (14 833) |
| — | — | — | — | — | — | (44 260) | (44 260) | 14 857 | (29 403) | 22 394 | 7 009 | — |
| — | — | — | — | — | — | — | — | (14 857) | (14 857) | (22 394) | (7 009) | (44 260) |
| — | — | — | — | — | — | (244 323) | (244 323) | — | (244 323) | — | — | (244 323) |
| — | — | — | — | — | — | — | — | — | — | — | (79 106) | (79 106) |
| — | — | — | — | — | — | (489 477) | (697 854) | — | (697 854) | — | — | (697 854) |
| **(6 797)** | **(152 882)** | **41 346** | **(99 144)** | **(748 225)** | **(10 595)** | **3 593 384** | **3 862 305** | **168 518** | **4 030 823** | **295 593** | **571 216** | **4 897 632** |

# COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

| £'000 | Ordinary share capital | Ordinary share premium | Treasury shares |
|---|---|---|---|
| **At 31 March 2020** | **247** | **1 517 852** | **(272 881)** |
| **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 | — | — | — |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | — | — | — |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | — | — | — |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Foreign currency adjustments on translating foreign operations | — | — | — |
| Net loss attributable to own credit risk | — | — | — |
| Remeasurement of net defined benefit pension liability | — | — | — |
| **Total comprehensive income for the year** | **—** | **—** | **—** |
| Issue of other Additional Tier 1 security instruments | — | — | — |
| Redemption of perpetual preference share capital | — | — | — |
| Net equity movements in interests in associated undertakings | — | — | — |
| Movement of treasury shares | — | — | 4 323 |
| Share-based payments adjustments | — | — | — |
| Transfer from share-based payments reserve to treasury shares | — | — | 1 050 |
| Transfer to regulatory general risk reserves | — | — | — |
| Transfer to foreign currency reserve | — | — | — |
| Transfer from capital reserve | — | — | — |
| Net equity impact of non-controlling interest movements | — | — | — |
| Dividends declared to other equity holders including other Additional Tier 1 securities | — | — | — |
| Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities | — | — | — |
| Dividends paid to ordinary shareholders | — | — | — |
| Dividends paid to non-controlling interests | — | — | — |
| **At 31 March 2021** | **247** | **1 517 852** | **(267 508)** |

^ Restated as detailed in note 62 on pages 141 and 142.

# COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## CONTINUED

| Other reserves | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital reserve account | Fair value reserve | Regulatory general risk reserve | Cash flow hedge reserve | Foreign currency reserves | Own credit risk reserve | Retained income | **Ordinary shareholders' equity** | Perpetual preference share capital | **Shareholders' equity excluding non-controlling interests** | Other Additional Tier 1 securities in issue | Non-controlling interests | **Total equity** |
| **(6 797)** | **(152 882)** | **41 346** | **(99 144)** | **(748 225)** | **(10 595)** | **3 593 384** | **3 862 305** | **168 518** | **4 030 823** | **295 593** | **571 216** | **4 897 632** |
| | | | | | | | | | | | | |
| — | — | — | — | — | — | 268 340 | 268 340 | — | 268 340 | — | (9 598) | 258 742 |
| — | (19) | — | — | — | 399 | — | 380 | — | 380 | — | — | 380 |
| — | — | — | 242 | — | — | — | 242 | — | 242 | — | — | 242 |
| — | 152 355 | — | — | — | — | — | 152 355 | — | 152 355 | — | — | 152 355 |
| — | (717) | — | — | — | — | — | (717) | — | (717) | — | — | (717) |
| — | 1 778 | — | — | — | — | — | 1 778 | — | 1 778 | — | — | 1 778 |
| — | — | — | — | 47 687 | — | — | 47 687 | 12 638 | 60 325 | 4 010 | 47 444 | 111 779 |
| — | — | — | — | — | (850) | — | (850) | — | (850) | — | — | (850) |
| — | — | — | — | — | — | (39) | (39) | — | (39) | — | — | (39) |
| **—** | **153 397** | **—** | **242** | **47 687** | **(451)** | **268 301** | **469 176** | **12 638** | **481 814** | **4 010** | **37 846** | **523 670** |
| — | — | — | — | — | — | — | — | — | — | 35 508 | — | 35 508 |
| — | — | — | — | — | — | 3 311 | 3 311 | (7 103) | (3 792) | — | (2 482) | (6 274) |
| — | — | — | — | — | — | (17 954) | (17 954) | — | (17 954) | — | — | (17 954) |
| (14 484) | — | — | — | — | — | — | (10 161) | — | (10 161) | — | — | (10 161) |
| — | — | — | — | — | — | 19 121 | 19 121 | — | 19 121 | — | — | 19 121 |
| — | — | — | — | — | — | (1 050) | — | — | — | — | — | — |
| — | — | 786 | — | — | — | (786) | — | — | — | — | — | — |
| — | — | — | — | 980 | — | (980) | — | — | — | — | — | — |
| (82) | — | — | — | — | — | 82 | — | — | — | — | — | — |
| — | — | — | — | — | — | (268) | (268) | — | (268) | — | (5 860) | (6 128) |
| — | — | — | — | — | — | (37 187) | (37 187) | 10 603 | (26 584) | 21 299 | 5 285 | — |
| — | — | — | — | — | — | — | — | (10 603) | (10 603) | (21 299) | (5 285) | (37 187) |
| — | — | — | — | — | — | (53 346) | (53 346) | — | (53 346) | — | — | (53 346) |
| — | — | — | — | — | — | — | — | — | — | — | (32 385) | (32 385) |
| **(21 363)** | **515** | **42 132** | **(98 902)** | **(699 558)** | **(11 046)** | **3 772 628** | **4 234 997** | **174 053** | **4 409 050** | **335 111** | **568 335** | **5 312 496** |

# COMBINED CONSOLIDATED CASH FLOW STATEMENT

| £'000 | Notes | Year to 31 March 2021 | Year to 31 March 2020^ |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| Operating profit adjusted for non-cash and non-operating items | 52 | 519 452 | 775 394 |
| Taxation paid | | (108 395) | (93 955) |
| Decrease/(increase) in operating assets | 52 | 436 469 | (5 738 435) |
| (Decrease)/increase in operating liabilities | 52 | (1 405 363) | 5 645 524 |
| **Net cash (outflow)/ inflow from operating activities** | | **(557 837)** | **588 528** |
| | | | |
| **Cash flows from investing activities** | | | |
| Cash outflow on disposal of group operations | | — | (46 582) |
| Cash inflow on disposal of group operations | 11 | 20 388 | 43 858 |
| Derecognition of cash on disposal of subsidiaries and demerger of business | | (7 799) | (267 863) |
| Cash outflow on acquisition of associates and joint venture holdings | 31 | — | (48 477) |
| Cash flow on disposal of associates and joint venture holdings | 31 | — | 652 |
| Cash flow on acquisition of property, equipment, software and other intangible assets | 34/35 | (13 338) | (38 847) |
| Cash flow on disposal of property, equipment, software and other intangible assets | 34/35 | 2 163 | 6 404 |
| **Net cash inflow/(outflow) from investing activities** | | **1 414** | **(350 855)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Dividends paid to ordinary shareholders | 12 | (53 346) | (244 323) |
| Dividends paid to other equity holders | | (56 249) | (123 366) |
| Proceeds on issue of shares, net of issue costs | | — | 64 647 |
| Redemption of perpetual preference shares | | (6 274) | — |
| Proceeds on issue of other Additional Tier 1 securities in issue | 49 | 35 508 | — |
| Cash flow on acquisition of treasury shares, net of related costs | | (33 803) | (134 786) |
| Proceeds on issue of other equity instruments and transactions with non-controlling interests | | — | 1 608 |
| Cash (outflow) from acquisition/proceeds from partial disposal of subsidiaries | | (245) | 45 256 |
| Proceeds on subordinated debt raised | 44 | 76 684 | — |
| Repayment of subordinated debt | 44 | (41 482) | (169 028) |
| Lease liabilities paid | 42 | (55 419) | (56 743) |
| **Net cash outflow from financing activities** | | **(134 626)** | **(616 735)** |
| **Effects of exchange rates on cash and cash equivalents** | | **146 030** | **(453 932)** |
| **Net decrease in cash and cash equivalents** | | **(545 019)** | **(832 994)** |
| Cash and cash equivalents at the beginning of the year | | 7 096 530 | 7 929 524 |
| **Cash and cash equivalents at the end of the year** | | **6 551 511** | **7 096 530** |
| | | | |
| **Cash and cash equivalents is defined as including:** | | | |
| Cash and balances at central banks | | 3 517 100 | 3 932 048 |
| On demand loans and advances to banks | | 2 591 908 | 2 530 178 |
| Non-sovereign and non-bank cash placements | | 439 841 | 632 610 |
| Expected credit loss on cash and cash equivalents | | 2 662 | 1 694 |
| **Cash and cash equivalents at the end of the year** | | **6 551 511** | **7 096 530** |

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months). Loans and advances to banks with a maturity profile of greater than three months are £107.4 million (31 March 2020: £136.7 million).

The group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £483.8 million (31 March 2020: £450.2 million).

^ Restated as detailed in note 62 on pages 141 and 142.

**Cash flows from discontinued operations for the year ended 31 March 2020**
Cash inflows from operating activities of £105.9 million, cash outflows from investing activities of £16.3 million and cash outflows from financing activities of £100.4 million were incurred in the year ending 31 March 2020 relating to discontinued operations. Cash flows from discontinued operations for the year ending 31 March 2020 have been included in the consolidated cash flow statement above.

# ACCOUNTING POLICIES

**Basis of presentation**
The group annual financial statements 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.

As stated on page 4, 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. The group annual financial statements have been prepared on a historical cost basis, except otherwise indicated.

**Presentation of information**
Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 88 to 96 in volume two.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 173 to 186 in volume one.

**Basis of consolidation**
Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure (group). 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.

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 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 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.

# ACCOUNTING POLICIES
CONTINUED

For equity accounted associates and joint venture holdings, the combined 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.

After application of the equity method, management evaluates if there is objective evidence that its net investment in the associate or joint venture is impaired.

Because goodwill forms part of the carrying amount of the net investments in an associate or a joint venture and is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount whenever there is objective evidence that the net investment may be impaired.

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 and 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.

A geographical analysis is also presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

For further detail on the group's segmental reporting basis refer to pages 50 to 75 in volume one of the divisional review section of the integrated annual report.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

**Discontinued operations**

A disposal group qualifies as a 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.

## ACCOUNTING POLICIES
CONTINUED

Additional disclosures are provided in note 38. 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.

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 scheme, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs. The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method.The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income. The group has no liabilities for other post-retirement benefits.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

**Foreign currency transactions and foreign operations**
The presentation currency of the group is Pound Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise, based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

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.

## ACCOUNTING POLICIES
CONTINUED

**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 and FVOCI 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 instruments 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 and includes rental income from investment properties.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from assurance activities and revenue from other investments. Operating costs associated with these investments are included in operating costs in the income statement.

Rewards programme
The group has a Rewards programme whereby account cardholders are awarded Rewards points in proportion to eligible transactions. Rewards points may be redeemed at a later stage for goods or services at a variety of lifestyle, shopping, travel and financial partners. Rewards points earned are valid for three years from allocation date. Client rewards are considered to be a cost of the interchange service fee revenue stream, where the cardholder is not considered to be the customer but rather that the associated rewards are incentives paid to cardholders in respect of this stream. As a result, the costs to provide cardholders with these rewards are considered to be expenses and recognised in fee and commission expenses as the related income is earned, with the obligation to settle these points reflected in other liabilities until such time as they are redeemed.

**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.

## ACCOUNTING POLICIES
CONTINUED

### 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 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.

### 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.

## ACCOUNTING POLICIES
CONTINUED

### 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. Currently in the UK, 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. In South Africa, the change in the lifetime PD from deal origination to the reporting date is monitored monthly. The absolute and relative changes in lifetime PDs are tested against predefined trigger levels. When the change in lifetime PDs exceeds the trigger levels, it is considered a significant increase in credit risk and the exposure is migrated to Stage 2. The trigger levels have been defined for each asset class and are a function of the internal credit rating and the remaining maturity of the exposure.

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 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.

## ACCOUNTING POLICIES
CONTINUED

### 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
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 fair value of financial liabilities designated at fair value that is attributable to changes in own credit is recognised in other comprehensive income. Any other changes in fair value are recognised in the income statement.

### 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).

### 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.

### 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, 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.

# ACCOUNTING POLICIES
CONTINUED

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 (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into 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 cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value 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%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement
- 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 cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is reclassified to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately 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 are accounted for in a way similar to cash flow hedges. 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.

ACCOUNTING POLICIES
CONTINUED

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.

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 pages 75 and 76 of volume 2 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 or Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity 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 (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) 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'.

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.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

**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.

## ACCOUNTING POLICIES
CONTINUED

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:

- Equipment 10% – 33%
- Furniture and vehicles 10% – 25%
- Freehold buildings 2% – 4%
- Leasehold property and improvements*
- Right of use assets*

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

**Investment properties**
Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and are supported by market evidence.

**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 finite lives, are amortised over the useful economic life (currently three to 20 years) on a straight-line basis. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

# ACCOUNTING POLICIES
CONTINUED

**Impairment of non-financial assets**
At each balance sheet date, the group reviews the carrying value of non-financial assets, other than investment property, for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value-in-use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

**Non-current assets held for sale**
The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets in the measurement scope of IFRS 5 are carried at the lower of their carrying amount and fair value less costs to sell.

**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 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 asset can be utilised. Items recognised directly in other comprehensive income are net of related current and deferred taxation.

**Insurance contracts**
Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet. Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

**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.

ACCOUNTING POLICIES
CONTINUED

**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 pages 120 and 122 in volume one and pages 51 to 55 in volume two and throughout the annual financial statements.
- 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 17.

Details of unlisted investments can be found in note 28 with further analysis contained in the risk management section on pages 57 and 58 in volume two

- Valuation of investment properties is performed twice annually by qualified internal valuers and at least half of the portfolio is valued by independent external valuers annually. The valuation is performed by capitalising the budget net income of the property at the market-related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements.

Refer to note 35 for the carrying value of investment property with further analysis contained in the risk management section on pages 57and 58 in volume two.

- 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 SA and the UK. Detail of the approach followed and managements' assumptions are set out on page 51 of volume 2.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

## ACCOUNTING POLICIES
CONTINUED

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.

- Management assesses the degree of control or influence the group has over certain investments in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. In the case of the IEP Group, this is considered to be an area of significant judgement. We have concluded that we do not control IEP based on the decision-making structure within the entity, our percentage holding, the number and involved nature of other shareholders and our historic experience of our power over the relevant activities. It was concluded that there is significant influence over IEP and it is accounted for as an associate.
- Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of £4.7 million in the current year (2020: £45.4 million). The recoverable amount of the investment in IEP was determined to be the value-in-use. This was calculated by determining Investec's stake of the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations.
- 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 1. Combined consolidated segmental analysis

| For the year to 31 March 2021<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – income statement** | | | |
| **Continuing operations** | | | |
| Net interest income | 399 714 | 378 392 | 778 106 |
| Net fee and commission income | 488 523 | 260 355 | 748 878 |
| Investment income | 22 414 | 9 588 | 32 002 |
| Share of post-taxation profit of associates and joint venture holdings | 35 972 | 6 487 | 42 459 |
| Trading income/(loss) arising from | | | |
| – customer flow | (11 025) | 46 591 | 35 566 |
| – balance sheet management and other trading activities | 11 262 | (30 165) | (18 903) |
| Other operating income | 15 831 | 7 122 | 22 953 |
| **Total operating income before expected credit loss impairment charges** | **962 691** | **678 370** | **1 641 061** |
| Expected credit loss impairment charges | (71 202) | (28 236) | (99 438) |
| **Operating income** | **891 489** | **650 134** | **1 541 623** |
| Operating costs | (766 367) | (398 146) | (1 164 513) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | **125 122** | **251 988** | **377 110** |
| Loss/(profit) attributable to other non-controlling interests | 861 | (389) | 472 |
| **Adjusted operating profit** | **125 983** | **251 599** | **377 582** |
| Impairment of goodwill | (11 248) | (351) | (11 599) |
| Impairment of associates and joint venture holdings | — | (16 773) | (16 773) |
| Loss attributable to other non-controlling interests relating to impairments of associates | — | 9 126 | 9 126 |
| Amortisation of acquired intangibles | (12 851) | (2 436) | (15 287) |
| Amortisation of acquired intangibles of associates | (6 017) | (3 251) | (9 268) |
| Closure and rundown of the Hong Kong direct investments business | 7 386 | — | 7 386 |
| **Earnings attributable to shareholders before taxation** | **103 253** | **237 914** | **341 167** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | (24 243) | (50 296) | (74 539) |
| Taxation on acquired intangibles and strategic actions | 1 029 | 683 | 1 712 |
| **Earnings attributable to shareholders** | **80 039** | **188 301** | **268 340** |
| **Selected returns and key statistics from continuing operations** | | | |
| ROE (post-taxation)* | 4.0% | 9.4% | 6.6% |
| Return on tangible equity (post-taxation)* | 4.8% | 9.5% | 7.2% |
| Cost to income ratio | 79.5% | 58.7% | 70.9% |
| Staff compensation to operating income | 59.0% | 44.1% | 52.8% |
| Adjusted operating profit per employee (£'000) | 33.8 | 52.7 | 44.5 |
| Effective operational tax rate | 27.2% | 20.5% | 22.3% |
| Total assets (£'million) | 24 604 | 26 908 | 51 512 |

* Refer to calculation on page 43 in volume one.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2020^<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – income statement** | | | |
| **Continuing operations** | | | |
| Net interest income | 397 385 | 441 184 | 838 569 |
| Net fee and commission income | 482 200 | 322 707 | 804 907 |
| Investment income | 6 375 | 32 893 | 39 268 |
| Share of post-taxation profit of associates and joint venture holdings | 9 474 | 17 770 | 27 244 |
| Trading income/(loss) arising from | | | |
| – customer flow | 50 980 | 12 274 | 63 254 |
| – balance sheet management and other trading activities | (537) | 27 257 | 26 720 |
| Other operating income | 6 464 | 413 | 6 877 |
| **Total operating income before expected credit loss impairment charges** | **952 341** | **854 498** | **1 806 839** |
| Expected credit loss impairment charges | (75 813) | (57 488) | (133 301) |
| **Operating income** | **876 528** | **797 010** | **1 673 538** |
| Operating costs | (742 199) | (444 228) | (1 186 427) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | **134 329** | **352 782** | **487 111** |
| Profit attributable to other non-controlling interests | (864) | (67 088) | (67 952) |
| **Adjusted operating profit** | **133 465** | **285 694** | **419 159** |
| Impairment of goodwill | — | (145) | (145) |
| Impairment of associates and joint venture holdings | — | (45 400) | (45 400) |
| Amortisation of acquired intangibles | (12 915) | (2 741) | (15 656) |
| Amortisation of acquired intangibles of associates | (291) | (157) | (448) |
| Closure and rundown of the Hong Kong direct investments business | (89 257) | — | (89 257) |
| Financial impact of group restructures | (25 725) | — | (25 725) |
| **Earnings attributable to shareholders before taxation** | **5 277** | **237 251** | **242 528** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | 706 | (55 396) | (54 690) |
| Taxation on acquired intangibles and strategic actions | 20 926 | 767 | 21 693 |
| **Earnings attributable to shareholders from continuing operations** | **26 909** | **182 622** | **209 531** |
| **Discontinued operations** | | | |
| Profit after taxation from discontinued operations | 640 507 | 314 472 | 954 979 |
| Profit attributable to non-controlling interests of discontinued operations | (18 106) | (11 241) | (29 347) |
| **Earnings attributable to shareholders** | **649 310** | **485 853** | **1 135 163** |
| **Selected returns and key statistics from continuing operations** | | | |
| ROE (post-taxation)* | 6.0% | 10.7% | 8.3% |
| Return on tangible equity (post-taxation)* | 7.4% | 10.8% | 9.2% |
| Cost to income ratio | 78.0% | 56.4% | 68.2% |
| Staff compensation to operating income | 54.2% | 35.9% | 45.5% |
| Adjusted operating profit per employee (£'000) | 33.2 | 59.2 | 47.4 |
| Effective operational tax rate | (0.6%) | 16.5% | 11.9% |
| Total assets (£'million) | 24 647 | 25 911 | 50 558 |

^ Restated as detailed in note 62 on pages 141 and 142.
* Refer to calculation on page 43 in volume one.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 1. Combined consolidated segmental analysis continued

| | Private Client | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Specialist Banking^ | | | | | |
| | Wealth & Investment | | | Private Banking | | | Corporate and Investment Banking and Other | | |
| **For the year to 31 March 2021** **£'000** | UK and Other | Southern Africa | **Total** | UK and Other | Southern Africa | **Total** | UK and Other | Southern Africa | **Total** |
| **Segmental business and geographic analysis – income statement** | | | | | | | | | |
| Net interest income/(expense) | 2 296 | 3 552 | 5 848 | 34 664 | 218 806 | 253 470 | 362 754 | 199 329 | 562 083 |
| Net fee and commission income | 316 040 | 78 589 | 394 629 | 644 | 45 377 | 46 021 | 171 839 | 91 049 | 262 888 |
| Investment income/(loss) | 272 | 1 461 | 1 733 | 19 | 933 | 952 | 22 123 | (9 761) | 12 362 |
| Share of post-taxation profit/(loss) of associates and joint venture holdings | — | — | — | — | (372) | (372) | 10 830 | (1 097) | 9 733 |
| Trading income/(loss) arising from | | | | | | | | | |
| – customer flow | 920 | 7 | 927 | 1 196 | (43) | 1 153 | (13 141) | 36 659 | 23 518 |
| – balance sheet management and other trading activities | (9) | 39 | 30 | 13 | 32 | 45 | 11 258 | (7 728) | 3 530 |
| Other operating income | — | 1 | 1 | — | 7 | 7 | 15 831 | 7 114 | 22 945 |
| **Total operating income before expected credit loss impairment charges** | **319 519** | **83 649** | **403 168** | **36 536** | **264 740** | **301 276** | **581 494** | **315 565** | **897 059** |
| Expected credit loss impairment charges | (4) | — | (4) | (1 515) | (915) | (2 430) | (69 683) | (24 942) | (94 625) |
| **Operating income** | **319 515** | **83 649** | **403 164** | **35 021** | **263 825** | **298 846** | **511 811** | **290 623** | **802 434** |
| Operating costs | (245 175) | (57 530) | (302 705) | (38 033) | (140 391) | (178 424) | (464 873) | (182 883) | (647 756) |
| **Operating profit/(loss) before goodwill, acquired intangibles and strategic actions from continuing operations** | **74 340** | **26 119** | **100 459** | **(3 012)** | **123 434** | **120 422** | **46 938** | **107 740** | **154 678** |
| Loss/(profit) attributable to other non-controlling interests | — | — | — | — | — | — | 861 | 309 | 1 170 |
| **Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests** | **74 340** | **26 119** | **100 459** | **(3 012)** | **123 434** | **120 422** | **47 799** | **108 049** | **155 848** |
| **Selected returns and key statistics from continuing operations** | | | | | | | | | |
| ROE (post-taxation)* | 23.8% | 64.1% | 28.5% | (0.7%) | 12.9% | 8.1% | 1.9% | 8.0% | 4.6% |
| Return on tangible equity (post-taxation)* | 56.6% | 67.9% | 59.2% | (0.7%) | 12.9% | 8.1% | 1.9% | 8.1% | 4.6% |
| Cost to income ratio | 76.7% | 68.8% | 75.1% | 104.1% | 53.0% | 59.2% | 79.8% | 57.9% | 72.1% |
| Total assets (£'million) | 959 | 312 | 1 271 | 3 338 | 10 335 | 13 673 | 20 070 | 14 637 | 34 707 |

^ 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 the 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.

* Refer to calculation on pages 44 and 45 in volume one.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

| Group Investments | | | Group Costs | | | Total | | |
|---|---|---|---|---|---|---|---|---|
| UK and Other | Southern Africa | **Total** | UK and Other | Southern Africa | **Total** | UK and Other | Southern Africa | **Total** |
| — | (43 295) | (43 295) | — | — | — | 399 714 | 378 392 | 778 106 |
| — | 45 340 | 45 340 | — | — | — | 488 523 | 260 355 | 748 878 |
| — | 16 955 | 16 955 | — | — | — | 22 414 | 9 588 | 32 002 |
| 25 142 | 7 956 | 33 098 | — | — | — | 35 972 | 6 487 | 42 459 |
| — | 9 968 | 9 968 | — | — | — | (11 025) | 46 591 | 35 566 |
| — | (22 508) | (22 508) | — | — | — | 11 262 | (30 165) | (18 903) |
| — | — | — | — | — | — | 15 831 | 7 122 | 22 953 |
| **25 142** | **14 416** | **39 558** | **—** | **—** | **—** | **962 691** | **678 370** | **1 641 061** |
| — | (2 379) | (2 379) | — | — | — | (71 202) | (28 236) | (99 438) |
| **25 142** | **12 037** | **37 179** | **—** | **—** | **—** | **891 489** | **650 134** | **1 541 623** |
| — | (2 096) | (2 096) | (18 286) | (15 246) | (33 532) | (766 367) | (398 146) | (1 164 513) |
| **25 142** | **9 941** | **35 083** | **(18 286)** | **(15 246)** | **(33 532)** | **125 122** | **251 988** | **377 110** |
| — | (698) | (698) | — | — | — | 861 | (389) | 472 |
| **25 142** | **9 243** | **34 385** | **(18 286)** | **(15 246)** | **(33 532)** | **125 983** | **251 599** | **377 582** |
| 15.5% | 2.9% | 7.4% | n/a | n/a | n/a | 4.0% | 9.4% | 6.6% |
| 15.5% | 2.9% | 7.4% | n/a | n/a | n/a | 4.8% | 9.5% | 7.2% |
| n/a | n/a | n/a | n/a | n/a | n/a | 79.5% | 58.7% | 70.9% |
| 237 | 1 624 | 1 861 | n/a | n/a | n/a | 24 604 | 26 908 | 51 512 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2020^ | Private Client | | | | | | Specialist Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | Wealth & Investment | | | Private Banking | | | Corporate and Investment Banking and Other | | |
| £'000 | UK and Other | Southern Africa | Total | UK and Other | Southern Africa | Total | UK and Other | Southern Africa | Total |
| **Segmental business and geographic analysis – income statement** | | | | | | | | | |
| Net interest income/(expense) | 12 604 | 3 940 | 16 544 | 23 441 | 259 979 | 283 420 | 361 340 | 231 553 | 592 893 |
| Net fee and commission income | 304 412 | 84 173 | 388 585 | 333 | 55 433 | 55 766 | 177 455 | 110 435 | 287 890 |
| Investment income/(loss) | (436) | (148) | (584) | — | 13 564 | 13 564 | 6 811 | (19 717) | (12 906) |
| Share of post-taxation profit/(loss) of associates and joint venture holdings | — | — | — | — | (1 230) | (1 230) | 5 383 | 15 | 5 398 |
| Trading income/(loss) arising from | | | | | | | | | |
| – customer flow | 862 | (186) | 676 | 1 433 | 75 | 1 508 | 48 685 | 28 199 | 76 884 |
| – balance sheet management and other trading activities | 108 | (29) | 79 | 1 | 374 | 375 | (646) | (3 033) | (3 679) |
| Other operating income | 181 | — | 181 | — | 16 | 16 | 6 283 | 393 | 6 676 |
| **Total operating income before expected credit loss impairment charges** | **317 731** | **87 750** | **405 481** | **25 208** | **328 211** | **353 419** | **605 311** | **347 845** | **953 156** |
| Expected credit loss impairment charges | 1 | — | 1 | (643) | (19 388) | (20 031) | (75 171) | (29 946) | (105 117) |
| **Operating income** | **317 732** | **87 750** | **405 482** | **24 565** | **308 823** | **333 388** | **530 140** | **317 899** | **848 039** |
| Operating costs | (254 714) | (60 902) | (315 616) | (43 221) | (172 077) | (215 298) | (407 976) | (190 918) | (598 894) |
| **Operating profit/(loss) before goodwill, acquired intangibles and strategic actions** | **63 018** | **26 848** | **89 866** | **(18 656)** | **136 746** | **118 090** | **122 164** | **126 981** | **249 145** |
| Loss/(profit) attributable to other non-controlling interests | — | — | — | — | — | — | (864) | 2 | (862) |
| **Adjusted operating profit/(loss) from continuing operations** | **63 018** | **26 848** | **89 866** | **(18 656)** | **136 746** | **118 090** | **121 300** | **126 983** | **248 283** |
| Operating profit before strategic actions from discontinued operations | — | — | — | — | — | — | — | — | — |
| Profit attributable to non-controlling interests of discontinuing operations | — | — | — | — | — | — | — | — | — |
| **Operating profit before goodwill, acquired intangibles and after non-controlling interests** | **63 018** | **26 848** | **89 866** | **(18 656)** | **136 746** | **118 090** | **121 300** | **126 983** | **248 283** |
| **Selected returns and key statistics from continuing operations** | | | | | | | | | |
| ROE (post-taxation)* | 20.4% | 91.1% | 26.7% | (4.2%) | 15.7% | 8.9% | 9.6% | 9.0% | 9.3% |
| Return on tangible equity (post-taxation)* | 60.1% | 98.9% | 68.2% | (4.2%) | 15.7% | 8.9% | 10.1% | 9.1% | 9.7% |
| Cost to income ratio | 80.2% | 69.4% | 77.8% | 171.5% | 52.4% | 60.9% | 67.5% | 54.9% | 62.9% |
| Total assets (£'million) | 986 | 332 | 1 318 | 2 432 | 9 292 | 11 724 | 21 004 | 15 672 | 36 676 |

^ Restated as detailed in note 62 on pages 141 and 142.
* Refer to calculation on pages 44 and 45 in volume one.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

| Group Investments | | | Group Costs | | | Total | | |
|---|---|---|---|---|---|---|---|---|
| UK and Other | Southern Africa | Total | UK and Other | Southern Africa | Total | UK and Other | Southern Africa | Total |
| — | (54 288) | (54 288) | — | — | — | 397 385 | 441 184 | 838 569 |
| — | 72 666 | 72 666 | — | — | — | 482 200 | 322 707 | 804 907 |
| — | 39 194 | 39 194 | — | — | — | 6 375 | 32 893 | 39 268 |
| 4 091 | 18 985 | 23 076 | — | — | — | 9 474 | 17 770 | 27 244 |
| — | (15 814) | (15 814) | — | — | — | 50 980 | 12 274 | 63 254 |
| — | 29 945 | 29 945 | — | — | — | (537) | 27 257 | 26 720 |
| — | 4 | 4 | — | — | — | 6 464 | 413 | 6 877 |
| **4 091** | **90 692** | **94 783** | **—** | **—** | **—** | **952 341** | **854 498** | **1 806 839** |
| — | (8 154) | (8 154) | — | — | — | (75 813) | (57 488) | (133 301) |
| **4 091** | **82 538** | **86 629** | **—** | **—** | **—** | **876 528** | **797 010** | **1 673 538** |
| — | (2 815) | (2 815) | (36 288) | (17 516) | (53 804) | (742 199) | (444 228) | (1 186 427) |
| **4 091** | **79 723** | **83 814** | **(36 288)** | **(17 516)** | **(53 804)** | **134 329** | **352 782** | **487 111** |
| — | (67 090) | (67 090) | — | — | — | (864) | (67 088) | (67 952) |
| **4 091** | **12 633** | **16 724** | **(36 288)** | **(17 516)** | **(53 804)** | **133 465** | **285 694** | **419 159** |
| — | — | — | — | — | — | 109 103 | 80 656 | 189 759 |
| — | — | — | — | — | — | (18 106) | (11 241) | (29 347) |
| **4 091** | **12 633** | **16 724** | **(36 288)** | **(17 516)** | **(53 804)** | **224 462** | **355 109** | **579 571** |
| 8.4% | 2.9% | 3.6% | n/a | n/a | n/a | 6.0% | 10.7% | 8.3% |
| 8.4% | 2.9% | 3.6% | n/a | n/a | n/a | 7.4% | 10.8% | 9.2% |
| n/a | n/a | n/a | n/a | n/a | n/a | 78.0% | 56.4% | 68.2% |
| 225 | 1 799 | 2 024 | n/a | n/a | n/a | 24 647 | 25 911 | 50 558 |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 1. Combined consolidated segmental analysis continued

| At 31 March 2021<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – balance sheet assets and liabilities** | | | |
| **Assets** | | | |
| Cash and balances at central banks | 3 043 034 | 474 066 | 3 517 100 |
| Loans and advances to banks | 1 374 154 | 1 325 163 | 2 699 317 |
| Non-sovereign and non-bank cash placements | — | 439 841 | 439 841 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 065 232 | 1 510 481 | 3 575 713 |
| Sovereign debt securities | 1 108 253 | 2 603 370 | 3 711 623 |
| Bank debt securities | 48 044 | 1 073 686 | 1 121 730 |
| Other debt securities | 669 403 | 694 832 | 1 364 235 |
| Derivative financial instruments | 772 501 | 942 242 | 1 714 743 |
| Securities arising from trading activities | 278 074 | 746 597 | 1 024 671 |
| Investment portfolio | 355 974 | 553 076 | 909 050 |
| Loans and advances to customers | 12 335 837 | 13 705 250 | 26 041 087 |
| Own originated loans and advances to customers securitised | — | 401 912 | 401 912 |
| Other loans and advances | 93 233 | 8 902 | 102 135 |
| Other securitised assets | 111 676 | 28 411 | 140 087 |
| Interests in associated undertakings and joint venture holdings | 295 313 | 383 844 | 679 157 |
| Current taxation assets | 58 174 | 2 151 | 60 325 |
| Deferred taxation assets | 110 750 | 135 872 | 246 622 |
| Other assets | 1 388 431 | 777 007 | 2 165 438 |
| Property and equipment | 185 502 | 144 470 | 329 972 |
| Investment properties | — | 832 061 | 832 061 |
| Goodwill | 249 836 | 9 969 | 259 805 |
| Software | 7 791 | 4 783 | 12 574 |
| Other acquired intangible assets | 53 281 | 5 687 | 58 968 |
| Non-current assets classified as held for sale | — | 51 783 | 51 783 |
| | **24 604 493** | **26 855 456** | **51 459 949** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | 52 405 | 52 405 |
| | **24 604 493** | **26 907 861** | **51 512 354** |
| **Liabilities** | | | |
| Deposits by banks | 1 320 675 | 1 083 037 | 2 403 712 |
| Derivative financial instruments | 906 001 | 1 284 486 | 2 190 487 |
| Other trading liabilities | 49 055 | 277 134 | 326 189 |
| Repurchase agreements and cash collateral on securities lent | 139 014 | 864 298 | 1 003 312 |
| Customer accounts (deposits) | 16 070 313 | 18 379 117 | 34 449 430 |
| Debt securities in issue | 1 573 450 | 318 869 | 1 892 319 |
| Liabilities arising on securitisation of own originated loans and advances | — | 160 646 | 160 646 |
| Liabilities arising on securitisation of other assets | 108 281 | — | 108 281 |
| Current taxation liabilities | 36 862 | 41 928 | 78 790 |
| Deferred taxation liabilities | 19 984 | 20 349 | 40 333 |
| Other liabilities | 1 199 285 | 813 718 | 2 013 003 |
| | **21 422 920** | **23 243 582** | **44 666 502** |
| Liabilities to customers under investment contracts | — | 49 798 | 49 798 |
| Insurance liabilities, including unit-linked liabilities | — | 2 607 | 2 607 |
| | **21 422 920** | **23 295 987** | **44 718 907** |
| Subordinated liabilities | 771 481 | 709 470 | 1 480 951 |
| | **22 194 401** | **24 005 457** | **46 199 858** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 1. Combined consolidated segmental analysis continued

| At 31 March 2020^<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – balance sheet assets and liabilities** | | | |
| **Assets** | | | |
| Cash and balances at central banks | 2 277 318 | 1 654 730 | 3 932 048 |
| Loans and advances to banks | 1 784 971 | 881 880 | 2 666 851 |
| Non-sovereign and non-bank cash placements | — | 632 610 | 632 610 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 458 822 | 1 337 357 | 3 796 179 |
| Sovereign debt securities | 1 084 958 | 2 905 223 | 3 990 181 |
| Bank debt securities | 51 238 | 553 683 | 604 921 |
| Other debt securities | 647 778 | 782 641 | 1 430 419 |
| Derivative financial instruments | 1 247 118 | 786 881 | 2 033 999 |
| Securities arising from trading activities | 250 445 | 467 952 | 718 397 |
| Investment portfolio | 376 239 | 622 696 | 998 935 |
| Loans and advances to customers | 11 871 849 | 12 716 225 | 24 588 074 |
| Own originated loans and advances to customers securitised | — | 324 638 | 324 638 |
| Other loans and advances | 121 559 | 10 927 | 132 486 |
| Other securitised assets | 112 440 | 22 425 | 134 865 |
| Interests in associated undertakings and joint venture holdings | 279 736 | 421 575 | 701 311 |
| Current taxation assets | 4 603 | 2 009 | 6 612 |
| Deferred taxation assets | 130 656 | 135 240 | 265 896 |
| Other assets | 1 396 858 | 530 958 | 1 927 816 |
| Property and equipment | 216 955 | 139 618 | 356 573 |
| Investment properties | — | 863 864 | 863 864 |
| Goodwill | 261 183 | 9 442 | 270 625 |
| Software | 7 843 | 6 800 | 14 643 |
| Other acquired intangible assets | 64 111 | 7 546 | 71 657 |
| Non-current assets classified as held for sale | — | 58 905 | 58 905 |
| | **24 646 680** | **25 875 825** | **50 522 505** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | 35 227 | 35 227 |
| | **24 646 680** | **25 911 052** | **50 557 732** |
| **Liabilities** | | | |
| Deposits by banks | 1 384 151 | 2 114 103 | 3 498 254 |
| Derivative financial instruments | 1 135 961 | 1 014 304 | 2 150 265 |
| Other trading liabilities | 118 572 | 390 950 | 509 522 |
| Repurchase agreements and cash collateral on securities lent | 375 387 | 1 201 959 | 1 577 346 |
| Customer accounts (deposits) | 15 272 245 | 16 948 731 | 32 220 976 |
| Debt securities in issue | 1 392 598 | 344 593 | 1 737 191 |
| Liabilities arising on securitisation of own originated loans and advances | — | 76 696 | 76 696 |
| Liabilities arising on securitisation of other assets | 110 679 | — | 110 679 |
| Current taxation liabilities | 26 904 | 24 404 | 51 308 |
| Deferred taxation liabilities | 21 438 | 23 350 | 44 788 |
| Other liabilities | 1 619 419 | 592 068 | 2 211 487 |
| | **21 457 354** | **22 731 158** | **44 188 512** |
| Liabilities to customers under investment contracts | — | 32 845 | 32 845 |
| Insurance liabilities, including unit-linked liabilities | — | 2 382 | 2 382 |
| | **21 457 354** | **22 766 385** | **44 223 739** |
| Subordinated liabilities | 787 030 | 649 331 | 1 436 361 |
| | **22 244 384** | **23 415 716** | **45 660 100** |

^ Restated as detailed in note 62 on pages 141 and 142.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2021<br>£'000 | Private Client<br>Wealth & Investment | Private Client / Specialist Banking^<br>Private Banking | Specialist Banking^<br>Corporate, Investment Banking and Other | Group Investments | Group Costs | Total group |
|---|---|---|---|---|---|---|
| UK and Other | 74 340 | (3 012) | 47 799 | 25 142 | (18 286) | 125 983 |
| Southern Africa | 26 119 | 123 434 | 108 049 | 9 243 | (15 246) | 251 599 |
| **Continuing operations adjusted operating profit** | **100 459** | **120 422** | **155 848** | **34 385** | **(33 532)** | **377 582** |
| Other non-controlling interest* | | | | | | (472) |
| **Adjusted operating profit before non-controlling interests** | | | | | | **377 110** |

| For the year to 31 March 2020<br>£'000 | Private Client<br>Wealth & Investment | Private Client / Specialist Banking^<br>Private Banking | Specialist Banking^<br>Corporate, Investment Banking and Other | Group Investments | Group Costs | Total group |
|---|---|---|---|---|---|---|
| UK and Other | 63 018 | (18 656) | 121 300 | 4 091 | (36 288) | 133 465 |
| Southern Africa | 26 848 | 136 746 | 126 983 | 12 633 | (17 516) | 285 694 |
| **Continuing operations adjusted operating profit** | **89 866** | **118 090** | **248 283** | **16 724** | **(53 804)** | **419 159** |
| Other non-controlling interest* | | | | | | 67 952 |
| **Adjusted operating profit before non-controlling interests** | | | | | | **487 111** |

* (Loss)/profit attributable to other non-controlling interests predominantly relates to the Investec Property Fund Limited.

^ 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 the 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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 2. Net interest income

| | | UK and Other | | | Southern Africa | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **For the year to 31 March 2021 £'000** | Notes | Average balance sheet value | Interest income | Average yield | Average balance sheet value | Interest income | Average yield | **Average balance sheet value** | **Interest income** |
| Cash, near cash and bank debt and sovereign debt securities | 1 | 7 699 932 | 27 785 | 0.36% | 7 796 968 | 252 532 | 3.28% | 15 496 900 | 280 317 |
| Core loans | 2 | 12 170 562 | 579 809 | 4.76% | 13 405 872 | 916 459 | 6.93% | 25 576 434 | 1 496 268 |
| Private Client | | 2 873 101 | 84 191 | 2.93% | 9 683 900 | 628 595 | 6.58% | 12 557 001 | 712 786 |
| Corporate, Investment Banking and Other | | 9 297 461 | 495 618 | 5.33% | 3 721 972 | 287 864 | 7.84% | 13 019 433 | 783 482 |
| Other debt securities and other loans and advances | | 851 397 | 34 207 | 4.02% | 759 892 | 41 571 | 5.55% | 1 611 289 | 75 778 |
| Other | 3 | 287 831 | 59 419 | n/a | 14 476 | 10 517 | n/a | 302 307 | 69 936 |
| | | **21 009 722** | **701 220** | | **21 977 208** | **1 221 079** | | **42 986 930** | **1 922 299** |

| | | UK and Other | | | Southern Africa | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **For the year to 31 March 2021 £'000** | Notes | Average balance sheet value | Interest expense | Average yield | Average balance sheet value | Interest expense | Average yield | **Average balance sheet value** | **Interest expense** |
| Deposits by banks and other debt-related securities | 4 | (3 098 976) | (44 378) | (1.43%) | (3 324 792) | (94 908) | (2.92%) | (6 423 768) | (139 286) |
| Customer accounts (deposits) | | (16 020 789) | (131 233) | (0.82%) | (16 577 774) | (686 686) | (4.06%) | (32 598 563) | (817 919) |
| Subordinated liabilities | | (789 555) | (48 145) | (6.10%) | (655 582) | (43 746) | (6.81%) | (1 445 137) | (91 891) |
| Other | 5 | (436 350) | (77 750) | n/a | (128 539) | (17 347) | n/a | (564 889) | (95 097) |
| | | **(20 345 670)** | **(301 506)** | | **(20 686 687)** | **(842 687)** | | **(41 032 357)** | **(1 144 193)** |
| **Net interest income** | | | **399 714** | | | **378 392** | | | **778 106** |
| **Net interest margin** | | | **1.90%** | ** | | **1.71%** | ** | | |

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full 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% for the UK and Other and 1.72% for Southern Africa (March 2020: 2.02% for the UK and Other and 1.82% for Southern Africa). The average balance sheet value and average yield for Southern Africa have been determined in Rands. The average balance sheet value shown above has been translated using the average Rand: Pound Sterling exchange rate for the period of R21.33 (March 2020: R18.78).

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets, finance lease receivables 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 on securitisation of own originated loans and advances, finance lease liabilities as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

** Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.31% (2020: 24.31%) interest. Excluding this debt funding cost, the net interest margin amounted to 1.84% (March 2020: 2.06%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 2. Net interest income continued

| For the year to 31 March 2020^ £'000 | Notes | UK and Other Average balance sheet value | UK and Other Interest income | UK and Other Average yield | Southern Africa Average balance sheet value | Southern Africa Interest income | Southern Africa Average yield | Total Average balance sheet value | Total Interest income |
|---|---|---|---|---|---|---|---|---|---|
| Cash, near cash and bank debt and sovereign debt securities | 1 | 7 215 307 | 73 916 | 1.02% | 7 386 368 | 423 688 | 5.74% | 14 601 675 | 497 604 |
| Core loans | 2 | 10 988 525 | 591 615 | 5.38% | 14 649 776 | 1 404 251 | 9.59% | 25 638 301 | 1 995 866 |
| Private Client | | 2 088 825 | 67 439 | 3.23% | 10 458 802 | 987 203 | 9.44% | 12 547 627 | 1 054 642 |
| Corporate, Investment Banking and Other | | 8 899 700 | 524 176 | 5.89% | 4 190 974 | 417 048 | 9.96% | 13 090 674 | 941 224 |
| Other debt securities and other loans and advances | | 711 589 | 31 025 | 4.36% | 800 547 | 43 239 | 5.40% | 1 512 136 | 74 264 |
| Other | 3 | 323 948 | 87 840 | n/a | 17 812 | 28 411 | n/a | 341 760 | 116 251 |
| | | **19 239 369** | **784 396** | | **22 854 503** | **1 899 589** | | **42 093 872** | **2 683 985** |

| For the year to 31 March 2020^ £'000 | Notes | UK and Other Average balance sheet value | UK and Other Interest expense | UK and Other Average yield | Southern Africa Average balance sheet value | Southern Africa Interest expense | Southern Africa Average yield | Total Average balance sheet value | Total Interest expense |
|---|---|---|---|---|---|---|---|---|---|
| Deposits by banks and other debt-related securities | 4 | (3 759 265) | (60 051) | (1.60%) | (3 152 869) | (133 749) | (4.24%) | (6 912 134) | (193 800) |
| Customer accounts (deposits) | | (13 568 473) | (184 747) | (1.36%) | (18 524 163) | (1 242 248) | (6.71%) | (32 092 636) | (1 426 995) |
| Subordinated liabilities | | (807 843) | (48 319) | (5.98%) | (803 062) | (62 343) | (7.76%) | (1 610 905) | (110 662) |
| Other | 5 | (481 381) | (93 894) | n/a | (105 062) | (20 065) | n/a | (586 443) | (113 959) |
| | | **(18 616 962)** | **(387 011)** | | **(22 585 156)** | **(1 458 405)** | | **(41 202 118)** | **(1 845 416)** |
| **Net interest income** | | | **397 385** | | | **441 184** | | | **838 569** |
| **Net interest margin** | | | **2.02%** | ** | | **1.93%** | ** | | |

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full 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% for the UK and Other and 1.72% for Southern Africa (March 2020: 2.02% for the UK and Other and 1.82% for Southern Africa). The average balance sheet value and average yield for Southern Africa have been determined in Rands. The average balance sheet value shown above has been translated using the average Rand: Pound Sterling exchange rate for the period of R21.33 (March 2020: R18.78).

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets, finance lease receivables 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 on securitisation of own originated loans and advance, finance lease liabilities as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

** Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.31% (2020: 24.31%) interest. Excluding this debt funding cost, the net interest margin amounted to 1.84% (March 2020: 2.06%).

^ Restated as detailed in note 62 on pages 141 and 142.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 3. Net fee and commission income

| For the year to 31 March 2021<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Wealth & Investment net fee and commission income** | **316 040** | **78 589** | **394 629** |
| Fund management fees/fees for funds under management | 267 381 | 43 854 | 311 235 |
| Private client transactional fees | 49 432 | 36 535 | 85 967 |
| Fee and commission expense | (773) | (1 800) | (2 573) |
| **Specialist Banking net fee and commission income** | **172 483** | **136 426** | **308 909** |
| Specialist Banking fee and commission income | 184 981 | 159 686 | 344 667 |
| Specialist Banking fee and commission expense | (12 498) | (23 260) | (35 758) |
| **Group Investments net fee and commission income** | **—** | **45 340** | **45 340** |
| Group Investments fee and commission income | — | 49 284 | 49 284 |
| Group Investments fee and commission expense | — | (3 944) | (3 944) |
| **Net fee and commission income** | **488 523** | **260 355** | **748 878** |
| Annuity fees (net of fees payable) | 284 745 | 211 316 | 496 061 |
| Deal fees | 203 778 | 49 039 | 252 817 |

| For the year to 31 March 2020^<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Wealth & Investment net fee and commission income** | **304 412** | **84 173** | **388 585** |
| Fund management fees/fees for funds under management | 261 093 | 45 188 | 306 281 |
| Private client transactional fees | 43 997 | 40 884 | 84 881 |
| Fee and commission expense | (678) | (1 899) | (2 577) |
| **Specialist Banking net fee and commission income** | **177 788** | **165 868** | **343 656** |
| Specialist Banking fee and commission income | 190 946 | 192 781 | 383 727 |
| Specialist Banking fee and commission expense | (13 158) | (26 913) | (40 071) |
| **Group Investments net fee and commission income** | **—** | **72 666** | **72 666** |
| Group Investments fee and commission income | — | 77 136 | 77 136 |
| Group Investments fee and commission expense | — | (4 470) | (4 470) |
| **Net fee and commission income** | **482 200** | **322 707** | **804 907** |
| Annuity fees (net of fees payable) | 280 214 | 261 793 | 542 007 |
| Deal fees | 201 986 | 60 914 | 262 900 |

Included in Specialist Banking is fee and commission income of £63.7 million (2020: £91.8 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.
Trust and fiduciary fees amounted to £0.4 million (2020: £0.2 million) and are included in Private client transactional fees.

^ Restated as detailed in note 62 on pages 141 and 142.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 4. Investment income

| **For the year to 31 March 2021 £'000** | Listed equities | Unlisted equities | Fair value loan investments | Warrants and profit shares | **Investment portfolio** | Debt securities (sovereign, bank and other) | Investment and trading properties | Other | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **UK and Other** | | | | | | | | | |
| Realised | 9 367 | 971 | — | 13 | 10 351 | 6 121 | (1 755) | 23 165 | 37 882 |
| Unrealised^ | 6 449 | 7 485 | — | (35) | 13 899 | (2 967) | (3 141) | (29 489) | (21 698) |
| Dividend income | 21 | 3 906 | — | — | 3 927 | — | — | — | 3 927 |
| Funding and other net related income | — | — | — | — | — | — | 2 303 | — | 2 303 |
| | **15 837** | **12 362** | **—** | **(22)** | **28 177** | **3 154** | **(2 593)** | **(6 324)** | **22 414** |
| **Southern Africa** | | | | | | | | | |
| Realised | 14 380 | (2 191) | — | 2 451 | 14 640 | 2 985 | 1 287 | 16 018 | 34 930 |
| Unrealised^ | 4 583 | (6 374) | 18 386 | 2 | 16 597 | (907) | (46 736) | (8 347) | (39 393) |
| Dividend income | 5 722 | 4 688 | — | — | 10 410 | — | — | 50 | 10 460 |
| Funding and other net related income (costs) | — | (1 145) | — | — | (1 145) | — | 4 736 | — | 3 591 |
| | **24 685** | **(5 022)** | **18 386** | **2 453** | **40 502** | **2 078** | **(40 713)** | **7 721** | **9 588** |
| **Investment income/(loss)** | **40 522** | **7 340** | **18 386** | **2 431** | **68 679** | **5 232** | **(43 306)** | **1 397** | **32 002** |

| **For the year to 31 March 2020 £'000** | Listed equities | Unlisted equities | Fair value loan investments | Warrants and profit shares | **Investment portfolio** | Debt securities (sovereign, bank and other) | Investment and trading properties | Other | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **UK and Other** | | | | | | | | | |
| 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** |
| **Southern Africa** | | | | | | | | | |
| Realised | 1 505 | 6 238 | — | 8 385 | 16 128 | 5 738 | (313) | (53) | 21 500 |
| Unrealised^ | (5 019) | (10 523) | 59 967 | (32) | 44 393 | 5 899 | (43 750) | (12 169) | (5 627) |
| Dividend income | 9 957 | 12 015 | — | — | 21 972 | — | — | 50 | 22 022 |
| Funding and other net related costs | — | (1 935) | — | — | (1 935) | — | (3 067) | — | (5 002) |
| | **6 443** | **5 795** | **59 967** | **8 353** | **80 558** | **11 637** | **(47 130)** | **(12 172)** | **32 893** |
| **Investment income/(loss)** | **(2 761)** | **19 930** | **59 967** | **16 582** | **93 718** | **12 168** | **(46 178)** | **(20 440)** | **39 268** |

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

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## 5. Other operating income

| For the year to 31 March £'000 | 2021 | 2020 |
|---|---|---|
| Rental income from properties | — | 1 196 |
| Income from government grants* | 4 218 | 3 260 |
| Gains on realisation of properties | 29 | — |
| Unrealised gains on other investments | 14 460 | 375 |
| Income from operating leases | 4 246 | 2 046 |
| | **22 953** | **6 877** |

- Income from government grants 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

| For the year to 31 March £'000 | 2021 | 2020 |
|---|---|---|
| Expected credit loss impairment charges/(releases) is recognised on the following assets: | | |
| Loans and advances to customers | 88 470 | 126 301 |
| Expected credit loss impairment charges (refer to note 29) | 103 855 | 136 641 |
| Post write-off recoveries | (15 385) | (10 340) |
| Own originated loans and advances to customers securitised | 407 | 317 |
| **Core loans** | **88 877** | **126 618** |
| Other loans and advances | (70) | (33) |
| Other balance sheet assets | 4 780 | 3 696 |
| Off-balance sheet commitments and guarantees | 5 851 | 3 020 |
| | **99 438** | **133 301** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 7. Operating costs

| For the year to 31 March<br>£'000 | 2021 | 2020^ |
|---|---|---|
| Staff costs | 866 558 | 846 397 |
| Salaries and wages (including directors' remuneration) | 499 543 | 491 983 |
| Variable remuneration | 220 696 | 175 866 |
| Share-based payments expense | 42 763 | 60 087 |
| Other | 103 556 | 118 461 |
| Business expenses* | 125 184 | 137 535 |
| Equipment expenses (excluding depreciation) | 76 830 | 72 833 |
| Premises expenses | 53 505 | 55 985 |
| Premises expenses (excluding depreciation) | 24 301 | 25 556 |
| Premises depreciation | 29 204 | 30 429# |
| Marketing expenses | 23 681 | 51 285 |
| Depreciation, amortisation and impairment on property, equipment, intangibles and software | 18 755 | 22 392# |
| **Total operating costs** | **1 164 513** | **1 186 427** |
| **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** | **10 156** | **9 312** |
| Audit of the group's accounts | 2 433 | 2 200 |
| Audit of the group's subsidiaries pursuant to legislation | 6 277 | 4 982 |
| Audit related assurance services | 1 441 | 1 262 |
| Other assurance services | 5 | 868 |
| **Total fees paid to the audit firm not in the capacity of being the group's auditor** | **379** | **482** |
| Audit related assurance services | 244 | 88 |
| Tax compliance services | 5 | 125 |
| Services related to corporate finance transactions | — | 169 |
| Services related to information technology | — | 100 |
| Other non-audit services | 130 | — |
| | **10 535** | **9 794** |
| **KPMG fees** | | |
| **Total fees paid to the audit firm by virtue of being the group's subsidiary auditor** | **3 414** | **4 719** |
| Fees payable to the group's subsidiary auditor for the audit of the group's accounts | — | — |
| Fees payable to the group's subsidiary auditor and its associates for other services: | | |
| Audit of the group's subsidiaries pursuant to legislation | 2 597 | 2 218 |
| Audit related assurance services | 316 | 431 |
| Other assurance services | 501 | 2 070 |
| **Total fees paid to the audit firm not in the capacity of being the group's subsidiary auditor** | **194** | **927** |
| Audit related assurance services | | |
| Tax compliance services | 17 | 345 |
| Tax advisory services | 177 | 559 |
| Other non-audit services | — | 23 |
| | **3 608** | **5 646** |
| **Total** | **14 143** | **15 440** |

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.

\# Premises depreciation of £11.4 million was reclassified from depreciation, amortisation and impairment on property, equipment, software and intangibles to premises depreciation.

^ Restated as detailed in note 62 on pages 141 and 142.

Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 173 to 186 in volume one.

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## 8. Share-based payments

The group operates share option and long-term share incentive plans for employees 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 the 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 is provided in the remuneration report on page 187 and 188 in volume one of the integrated annual report and on our website.**

As part of the demerger that took place in the prior year, employees of Investec Asset management left the employment of Investec on mutual agreement. This resulted in the acceleration of the share-based payment charge of £2.4 million on the date of the demerger.

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Weighted average fair value of awards granted in the year | | |
| UK schemes | 11 696 | 28 881 |
| South African schemes | 15 391 | 27 409 |

| | UK schemes | | | | South African schemes | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| **Details of awards outstanding during the year** | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ |
| Outstanding at the beginning of the year | 20 742 278 | 0.02 | 22 239 595 | 0.05 | 19 835 140 | — | 22 701 506 | — |
| Demerger of asset management | — | — | (1 106 749) | — | — | — | (594 600) | — |
| Granted during the year | 8 455 609 | — | 7 630 226 | — | 9 566 636 | — | 5 801 274 | — |
| Exercised during the year^ | (5 649 509) | — | (5 832 860) | — | (4 551 536) | — | (7 170 887) | — |
| Expired during the year | — | — | — | — | (643 444) | — | — | — |
| Awards forfeited during the year | (1 116 728) | 0.19 | (2 187 934) | 0.25 | — | — | (902 153) | — |
| **Outstanding at the end of the year** | **22 431 650** | **0.02** | **20 742 278** | **0.02** | **24 206 796** | **—** | **19 835 140** | **—** |
| **Vested and exercisable at the end of the year** | **401 818** | | **470 123** | | **373 239** | | **545 533** | |

^ The weighted average share price during the year was £1.73 (2020: £4.41) for the UK schemes and R36.18 (2020: R56.00) for the South African schemes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 8. Share-based payments continued

| | UK schemes | | South African schemes | |
|---|---|---|---|---|
| **Additional information relating to awards** | **2021** | 2020 | **2021** | 2020 |
| **Options with strike prices** | | | | |
| Exercise price range | £3.58 – £4.18 | £3.58 – £4.27 | n/a | n/a |
| Weighted average remaining contractual life | 0.71 years | 0.98 years | n/a | n/a |
| **Long-term incentive grants with no strike price** | | | | |
| Exercise price range | £nil | £nil | Rnil | Rnil |
| Weighted average remaining contractual life of outstanding awards | 2.07 years | 2.07 years | 2.13 years | 2.10 years |
| Weighted average fair value of options and long-term grants granted during the period | £1.38 | £3.79 | R34.08 | R88.00 |
| **The fair value of shares granted were calculated at market price. For shares granted during the period, the inputs were as follows:** | | | | |
| Share price at date of grant | £1.56 – £1.93 | £4.38 – £4.79 | R32.36 – R38.68 | R88.00 |
| Exercise price | £nil | £nil | Rnil | Rnil |
| Option life | 0.50 – 7 years | 4 – 7.25 years | 3.73 – 4.76 years | 3.75 – 4.75 years |
| Expected dividend yields | n/a | 6.45% | n/a | n/a |
| Risk-free rate | n/a | 0.88% | n/a | n/a |

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting. In the prior year, 755 278 Investec plc shares (LTIP & LTSA) were awarded to Investec Australian staff in lieu of Ninety One plc shares. The fair value of the adjusted share awards was compared to the fair value of the original awards at 13 March 2020 and no incremental value was identified.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 9. Long-term employee benefits

In March 2020, as part of the IAM demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to one Ninety One share award for every two Investec share awards they had. The Ninety One share awards were granted on the same terms and vesting period as the Investec awards they related to.

Investec has an obligation to deliver Ninety One shares to the holders of Investec 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 £14.8 million was calculated at the date of demerger for the portion of the awards already vested. The total value of the liability represented was accounted for in retained income. In the current and prior year, the liability was subsequently measured through profit or loss.

The IAS 19 long-term employment benefit liability movement recognised in the income statement for the year ended 31 March 2021 was £16.8 million (2020: £0.5 million).

| | UK schemes | | | | South African schemes | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | | 2020 | | **2021** | | 2020 | |
| **Details of awards outstanding during the year** | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ |
| Outstanding at the beginning of the year | 9 121 084 | 0.02 | — | — | 9 923 339 | — | — | — |
| IAM Demerger – Ninety One share awards issued 16 March 2020 | — | — | 9 354 422 | — | — | — | 10 212 742 | — |
| Exercised during the year | (2 092 045) | — | (213 160) | — | (2 233 363) | — | (271 698) | — |
| Lapsed during the year | (373 438) | 0.22 | (20 178) | — | (244 395) | — | (17 705) | — |
| **Outstanding at the end of the year** | **6 655 601** | **0.01** | **9 121 084** | **—** | **7 445 581** | **—** | **9 923 339** | **—** |
| **Exercisable at the end of the year** | **201 285** | | **213 483** | | **221 101** | | **277 931** | |

| | UK schemes | | South African schemes | |
|---|---|---|---|---|
| **For the year to 31 March** | **2021** | 2020 | **2021** | 2020 |
| The exercise price range and weighted average remaining contractual life for options and shares outstanding were as follows: | | | | |
| **Long-term awards with no strike price** | | | | |
| Exercise price | £2.90 – £3.39 | £2.90 – £3.46 | Rnil | Rnil |
| Weighted average remaining contractual life | 0.71 years | 0.98 years | 1.48 years | 2.10 years |
| The fair value of the liability was calculated by using the Black-Scholes option pricing model | | | | |
| **For the liability calculated the inputs into the model were as follows:** | | | | |
| Share price at 31 March | £2.39 | £1.54 | R48.00 | R30.55 |
| Exercise price | £nil, £2.90 – £3.39 | £nil, £2.90 – £3.46 | Rnil | Rnil |
| Expected volatility | 35.35% | 56.82% | 35.35% | 56.82% |
| Option life | 0 – 6.44 years | 0 – 7.45 years | 0 – 3.16 years | 0.14 – 4.19 years |
| Expected dividend yields | 0% – 4.68% | 0% – 8.01% | 0% – 4.51% | 0% – 6.28% |
| Risk-free rate | 0% – 0.82% | 0% – 0.68% | 3.32% – 5.97% | 5.73% – 7.71% |

The liability has been calculated at 31 March 2021 by using the listed market price as at 31 March 2021.

Management concluded that the share price used to calculate 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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 10. Taxation

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Income statement taxation charge** | | |
| **Current taxation** | | |
| **UK** | | |
| – in respect of the current year | 4 258 | (15 078) |
| – in respect of prior year adjustments | (836) | (1 650) |
| | **3 422** | **(16 728)** |
| **Southern Africa** | | |
| – in respect of the current year | 66 699 | 73 005 |
| – in respect of prior year adjustments | — | (8 306) |
| | **66 699** | **64 699** |
| Europe | 1 560 | 2 766 |
| Australia | 74 | 208 |
| Other | 931 | (311) |
| Withholding taxation on companies | 1 485 | 1 499 |
| **Total current taxation** | **74 171** | **52 133** |
| **Deferred taxation** | | |
| UK | 4 707 | 3 560 |
| Southern Africa | (18 570) | (11 570) |
| Europe | (116) | 27 |
| Australia | 13 722 | (13 244) |
| Other | (1 087) | 2 091 |
| **Total deferred taxation** | **(1 344)** | **(19 136)** |
| **Total taxation charge for the year** | **72 827** | **32 997** |
| **Total taxation charge for the year comprises:** | | |
| Taxation on operating profit before acquired intangibles | 74 539 | 54 690 |
| Taxation on acquired intangibles | (1 712) | (21 693) |
| | **72 827** | **32 997** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 10. Taxation continued

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Deferred taxation comprises:** | | |
| Origination and reversal of temporary differences | (2 354) | (20 780) |
| Changes in taxation rates | 154 | 1 285 |
| Adjustment in respect of prior years | 856 | 359 |
| | **(1 344)** | **(19 136)** |
| **The deferred taxation charge/(credit) in the income statement arises from:** | | |
| Deferred capital allowance | (2 858) | (1 873) |
| Income and expenditure accruals | 473 | (8 377) |
| Liability/(asset) in respect of unexpired options | (2 191) | 7 231 |
| Unrealised fair value adjustments on financial instruments | (1 612) | 22 |
| Losses carried forward | 1 823 | (10 669) |
| Liability in respect of pension surplus | — | (251) |
| Asset in respect of pension contributions | — | 218 |
| Deferred taxation on acquired intangibles | (3 064) | (1 652) |
| Revaluation of investment properties | 913 | (1 891) |
| Finance lease accounting | 1 823 | (1 611) |
| Other temporary differences | 3 349 | (283) |
| | **(1 344)** | **(19 136)** |
| **The rates of corporation taxation for the relevant years are:** | % | % |
| UK | 19 | 19 |
| South Africa | 28 | 28 |
| Europe (average) | 10 | 10 |
| Australia | 30 | 30 |
| **Profit before taxation** | **331 569** | **310 480** |
| **Taxation on profit before taxation** | **72 827** | **32 997** |
| Effective taxation rate (%) | 21.96% | 10.63% |
| 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%) | 62 998 | 58 991 |
| Taxation adjustments related to Southern Africa* | 4 119 | (3 917) |
| Taxation adjustments relating to foreign earnings | 3 852 | 519 |
| Goodwill and non-operating items | 2 162 | 1 905 |
| Taxation relating to prior years | 20 | (1 291) |
| Share options accounting expense | 214 | 6 378 |
| Non-taxable expense/(income) | (9 141) | 1 030 |
| Net other permanent differences | (1 590) | (17 139) |
| Change in taxation rate | 154 | 1 285 |
| Capital gains – non-taxable/covered by losses | (3 628) | (2 323) |
| Movement in unrecognised trading losses | 13 667 | (12 441) |
| **Total taxation charge as per income statement** | **72 827** | **32 997** |

* Taxation adjustments related to Southern Africa comprises mainly of £10.9 million (2020: £nil) related to release of provisions, permanent differences related to dividends of £8.1 million (2020: £38.1 million) and equity accounted earnings from associates of £1.2 million (2020: £5.1 million).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 10. Taxation continued

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Other comprehensive income taxation effects** | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | 242 | (40 304) |
| – Pre-taxation | 1 734 | (60 542) |
| – Taxation effect | (1 492) | 20 238 |
| Gains on realisation of debt instruments at FVOCI recycled through the income statement | (717) | (5 503) |
| – Pre-taxation | (1 127) | (7 003) |
| – Taxation effect | 410 | 1 500 |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | 152 355 | (139 977) |
| – Pre-taxation | 190 111 | (173 102) |
| – Deferred taxation | (37 756) | 33 125 |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | 1 778 | (3 931) |
| – Pre-taxation | 2 223 | (4 930) |
| – Deferred taxation | (445) | 999 |
| Net (loss)/gain attributable to own credit risk | (850) | 9 515 |
| – Pre-taxation | (713) | 12 535 |
| – Taxation effect | (137) | (3 020) |
| | | |
| **Statement of changes in equity taxation effects** | | |
| Share-based payment IFRS 2 adjustment taxation effect | 107 | (317) |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 11. Earnings per share

| For the year to 31 March | 2021 | 2020 |
|---|---|---|
| **Continuing operations** | | |
| **Earnings from continuing operations** | **£'000** | £'000 |
| Earnings attributable to shareholders from continuing operations | 268 340 | 209 531 |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Gain on redemption of perpetual preference shares | 3 311 | — |
| **Earnings and diluted earnings attributable to ordinary shareholders from continuing operations** | **234 464** | **165 271** |
| **Adjusted earnings from continuing operations** | | |
| Earnings attributable to shareholders from continuing operations | 268 340 | 209 531 |
| Impairment of goodwill | 11 599 | 145 |
| Impairment of associates and joint venture holdings | 16 773 | 45 400 |
| Loss attributable to other non-controlling interests relating to impairments of associates | (9 126) | — |
| Amortisation of acquired intangibles | 15 287 | 15 656 |
| Amortisation of acquired intangibles of associates | 9 268 | 448 |
| Closure and rundown of the Hong Kong direct investments business | (7 386) | 89 257 |
| Financial impact of group restructures | — | 25 725 |
| Taxation on acquired intangibles and strategic actions | (1 712) | (21 693) |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Accrual adjustment on earnings attributable to other equity holders* | 2 413 | 441 |
| **Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items from continuing operations** | **268 269** | **320 650** |
| **Headline earnings from continuing operations** | | |
| Earnings attributable to shareholders from continuing operations | 268 340 | 209 531 |
| Impairment of goodwill | 11 599 | 145 |
| Impairment of associates and joint venture holdings | 16 773 | 45 400 |
| Loss attributable to other non-controlling interests relating to impairments of associates | (9 126) | — |
| Gain on disposal of group operations | (20 388) | (19 825) |
| Remeasurement of group investment | (10 770) | — |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Headline adjustments of associates | 7 782 | — |
| Property revaluation, net of taxation and non-controlling interests** | 16 047 | 12 499 |
| Other headline adjustments^ | 1 177 | — |
| Gain on redemption of perpetual preference shares | 3 311 | — |
| **Headline earnings attributable to ordinary shareholders from continuing operations***** | **247 558** | **203 490** |
| **Weighted number of shares in issue** | | |
| Weighted total average number of shares in issue during the year | 1 014 987 327 | 1 012 202 675 |
| Weighted average number of treasury shares | (85 892 556) | (66 382 078) |
| **Weighted average number of shares in issue during the year** | **929 094 771** | **945 820 597** |
| Weighted average number of shares resulting from future dilutive potential shares | 10 889 323 | 7 598 533 |
| **Adjusted weighted number of shares potentially in issue** | **939 984 094** | **953 419 130** |
| **Earnings per share from continuing operations – pence** | **25.2** | **17.5** |
| Diluted earnings per share from continuing operations – pence | 24.9 | 17.3 |
| **Adjusted earnings per share from continuing operations – pence** | **28.9** | **33.9** |
| Diluted adjusted earnings per share from continuing operations – pence | 28.5 | 33.6 |
| **Headline earnings per share from continuing operations – pence***** | **26.6** | **21.5** |
| Diluted headline earnings per share from continuing operations – pence*** | 26.3 | 21.3 |

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Taxation on revaluation headline earnings adjustments amounted to £4.4 million (2020: £2.8 million) with an impact of £32.1 million (2020: £16.3 million) on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE listing requirements, and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants.

^ Predominantly relates to disposal of associate.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 11. Earnings per share continued

| For the year to 31 March | 2021 | 2020 |
|---|---|---|
| **Discontinued operations** | | |
| **Earnings from discontinued operations** | **£'000** | £'000 |
| **Earnings and diluted earnings attributable to ordinary shareholders from discontinued operations** | **—** | **925 632** |
| **Adjusted earnings from discontinued operations** | | |
| Earnings attributable to shareholders from discontinued operations | — | 925 632 |
| Financial impact of group restructure – discontinued operations | — | (820 233) |
| Taxation on acquired intangibles and strategic actions – discontinued operations | — | 13 813 |
| **Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items from discontinued operations** | **—** | **119 212** |
| **Headline earnings from discontinued operations** | | |
| Earnings attributable to shareholders from discontinued operations | — | 925 632 |
| Gain on distribution – discontinued operations | — | (867 409) |
| Taxation on acquired intangibles and strategic actions – discontinued operations | — | 14 405 |
| **Headline earnings attributable to ordinary shareholders from discontinued operations** | **—** | **72 628** |
| **Weighted number of shares in issue** | | |
| Weighted total average number of shares in issue during the year | 1 014 987 327 | 1 012 202 675 |
| Weighted average number of treasury shares | (85 892 556) | (66 382 078) |
| **Weighted average number of shares in issue during the year** | **929 094 771** | **945 820 597** |
| Weighted average number of shares resulting from future dilutive potential shares | 10 889 323 | 7 598 533 |
| **Adjusted weighted number of shares potentially in issue** | **939 984 094** | **953 419 130** |
| **Earnings per share from discontinued operations – pence** | **n/a** | **97.9** |
| Diluted earnings per share from discontinued operations – pence | n/a | 97.1 |
| **Adjusted earnings per share from discontinued operations – pence** | **n/a** | **12.6** |
| Diluted adjusted earnings per share from discontinued operations – pence | n/a | 12.5 |
| **Headline earnings per share from discontinued operations – pence*** ** | **n/a** | **7.7** |
| Diluted headline earnings per share from discontinued operations – pence*** | n/a | 7.6 |

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE listing requirements, and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 11. Earnings per share continued

| For the year to 31 March | 2021 | 2020 |
|---|---|---|
| **Total group** | | |
| **Earnings** | **£'000** | £'000 |
| Earnings attributable to shareholders | 268 340 | 1 135 163 |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Gain on redemption of perpetual preference shares | 3 311 | — |
| **Earnings and diluted earnings attributable to ordinary shareholders** | **234 464** | **1 090 903** |
| **Adjusted earnings** | | |
| Earnings attributable to shareholders | 268 340 | 1 135 163 |
| Impairment of goodwill | 11 599 | 145 |
| Impairment of associates and joint venture holdings | 16 773 | 45 400 |
| Loss attributable to other non-controlling interests relating to impairments of associates | (9 126) | — |
| Amortisation of acquired intangibles | 15 287 | 15 656 |
| Amortisation of acquired intangibles of associates | 9 268 | 448 |
| Closure and rundown of the Hong Kong direct investments business | (7 386) | 89 257 |
| Financial impact of group restructures | — | 25 725 |
| Gain on distribution net of implementation costs – discontinued operations | — | (820 233) |
| Taxation on acquired intangibles and strategic actions | (1 712) | (21 693) |
| Taxation on gain on distribution net of taxation | — | 13 813 |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Accrual adjustment on earnings attributable to other equity holders* | 2 413 | 441 |
| **Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items** | **268 269** | **439 862** |
| **Headline earnings** | | |
| Earnings attributable to shareholders | 268 340 | 1 135 163 |
| Impairment of goodwill | 11 599 | 145 |
| Impairment of associates and joint venture holdings | 16 773 | 45 400 |
| Loss attributable to other non-controlling interests relating to impairments of associates | (9 126) | — |
| Gain on distribution | — | (867 409) |
| Taxation on gain on distribution | — | 14 405 |
| Gain on disposal of group operations | (20 388) | (19 825) |
| Remeasurement of group investment | (10 770) | — |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (37 187) | (44 260) |
| Headline adjustments of associates | 7 782 | — |
| Property revaluation, net of taxation and non-controlling interests** | 16 047 | 12 499 |
| Other headline adjustments^ | 1 177 | — |
| Gain on redemption of perpetual preference shares | 3 311 | — |
| **Headline earnings attributable to ordinary shareholders***** | **247 558** | **276 118** |
| **Weighted number of shares in issue** | | |
| Weighted total average number of shares in issue during the year | 1 014 987 327 | 1 012 202 675 |
| Weighted average number of treasury shares | (85 892 556) | (66 382 078) |
| **Weighted average number of shares in issue during the year** | **929 094 771** | **945 820 597** |
| Weighted average number of shares resulting from future dilutive potential shares | 10 889 323 | 7 598 533 |
| **Adjusted weighted number of shares potentially in issue** | **939 984 094** | **953 419 130** |
| **Earnings per share – pence** | **25.2** | **115.3** |
| Diluted earnings per share – pence | 24.9 | 114.4 |
| **Adjusted earnings per share – pence** | **28.9** | **46.5** |
| Diluted adjusted earnings per share – pence | 28.5 | 46.1 |
| **Headline earnings per share – pence***** | **26.6** | **29.2** |
| Diluted headline earnings per share – pence*** | 26.3 | 29.0 |

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Taxation on revaluation headline earnings adjustments amounted to £4.4 million (2020: £2.8 million) with an impact of £32.1 million (2020: £16.3 million) on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE listing requirements, and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants.

^ Predominantly relates to disposal of associate.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 12. Dividends

| For the year to 31 March | 2021 Pence per share | 2021 Total £'000 | 2020 Pence per share | 2020 Total £'000 |
|---|---|---|---|---|
| Ordinary dividend | | | | |
| Final dividend for prior year | — | — | 13.5 | 134 777 |
| Interim dividend for current year | 5.5 | 53 346 | 11.0 | 109 546 |
| **Total dividend attributable to ordinary shareholders** | **5.5** | **53 346** | **24.5** | **244 323** |

The directors have proposed a final dividend in respect of the financial year ended 31 March 2021 of 7.5 pence per ordinary share. In light of regulatory guidance provided to banks in both South Africa and the UK, the directors decided not to declare a final ordinary dividend for the March 2020 financial year.

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 150 cents per ordinary share
- 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 by Investec Limited on the SA DAS share of 7.5 pence per ordinary share
- The final dividend to shareholders registered on 23 July 2021 is subject to the approval of the members of Investec plc and Investec Limited at the annual general meeting which is scheduled to take place on 5 August 2021 and, if approved, will be paid on 10 August 2021.

On 13 March 2020, the group successfully completed the demerger of its asset management business and distributed 55% of its shareholding in Ninety One group to the value of £697.9 million. This resulted in a distribution per ordinary shareholder of 73.4 pence.

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Perpetual preference dividend*** | | |
| Final dividend for prior year | 8 952 | 10 698 |
| Interim dividend for current year | 6 936 | 11 168 |
| **Total dividend attributable to perpetual preference shareholders recognised in current financial year** | **15 888** | **21 866** |

* Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.

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 International Stock Exchange), 331.58906 cents (Investec plc Rand denominated shares), 271.44926 cents (Investec Limited) and 290.85595 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable to shareholders on the register at the close of business on 14 June 2021 for all dividends except for the Investec plc shares traded on the International Exchange, which will be paid on 21 June 2021.

| | 2021 | 2020 |
|---|---|---|
| **Dividend attributable to other Additional Tier 1 securities in issue** | **21 299** | **22 394** |
| The dividends paid on other Additional Tier 1 floating rate notes pay dividends on a quarterly basis. Refer to note 49 for detail on rates. | | |
| **Total perpetual preference dividends and other Additional Tier 1 securities distributions** | **37 187** | **44 260** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 13. Financial impact of strategic actions

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Closure and rundown of the Hong Kong direct investments business* | 7 386 | (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** | **7 386** | **(114 982)** |
| Taxation on financial impact of strategic actions from continuing operations | (1 390) | 19 856 |
| **Net financial impact of strategic actions – continuing operations** | **5 996** | **(95 126)** |
| Gain on distribution of Ninety One group shares net of taxation and implementation costs | — | 806 420 |
| **Net financial impact of strategic actions – Total group** | **5 996** | **711 294** |

* Included within the balance are fair value gains of £10.3 million (March 2020: fair value loses of £83.2 million).

### 14. Operating lease disclosures

| For the year to 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Operating lease expenses recognised in operating costs:** | | |
| Minimum lease payments | — | 107 |
| | **—** | **107** |
| **Operating lease income recognised in operating income:** | | |
| Minimum lease payments | 71 544 | 92 016 |
| | **71 544** | **92 016** |
| The majority of operating lease expenses in the group relate to leases on property. | | |
| Rental income from leasing motor vehicles and properties is included in 'other operating income' and 'fee and commission income' respectively. | | |
| **Operating lease receivables** | | |
| Future minimum lease payments under non-cancellable operating leases: | | |
| Less than one year | 71 462 | 64 090 |
| One to five years | 161 322 | 137 572 |
| Later than five years | 108 229 | 45 973 |
| | **341 013** | **247 635** |

The group leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between three and five years with no annual escalation clauses. The majority of the leases have renewal options. In addition, the group participates in client transactions where the group has a head lease and sublease arrangement with external parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 15. Analysis of income and impairments by category of financial instrument

| | At fair value through profit or loss | | |
|---|---|---|---|
| | IFRS 9 mandatory | | |
| **For the year to 31 March** **£'000** | Trading** | Non-trading** | Designated at inception |
| **2021** | | | |
| Interest income | 51 672 | 101 521 | 55 674 |
| Interest expense | (70 663) | (1) | (63 849) |
| Fee and commission income | 29 219 | 3 216 | — |
| Fee and commission expense | (729) | — | — |
| Investment income/(loss) | 753 | 61 448 | 6 381 |
| Share of post-taxation profit of associates and joint venture holdings | — | — | — |
| Trading income/(loss) arising from | | | |
| – customer flow | 71 021 | (14 726) | (33 435) |
| – balance sheet management and other trading activities | (16 558) | (2 964) | 22 200 |
| Other operating income | — | 6 672 | — |
| **Total operating income/(expense) before expected credit loss impairment charges** | **64 715** | **155 166** | **(13 029)** |
| Expected credit loss impairments charges* | — | — | (2 188) |
| **Operating income/(expense)** | **64 715** | **155 166** | **(15 217)** |
| | | | |
| **2020^** | | | |
| Interest income | 80 475 | 156 841 | 64 922 |
| Interest expense | (80 567) | (13) | (85 123) |
| Fee and commission income | 20 254 | 5 201 | — |
| Fee and commission expense | (29) | — | — |
| Investment income/(loss) | 8 240 | 86 304 | 17 727 |
| Share of post-taxation profit of associates and joint venture holdings | — | — | — |
| Trading income/(loss) arising from | | | |
| – customer flow | 86 017 | 5 082 | (3 204) |
| – balance sheet management and other trading activities | 19 338 | 2 125 | (7 164) |
| Other operating income | — | 4 | — |
| **Total operating income/(expense) before expected credit loss impairment charges** | **133 728** | **255 544** | **(12 842)** |
| Expected credit loss impairments charges* | — | — | (2 350) |
| **Operating income/(expense)** | **133 728** | **255 544** | **(15 192)** |

* 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 positions held for trading intent or hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.
^ Restated as detailed in note 62 on pages 141 and 142.

## NOTES TO THE ANNUAL 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** |
| 204 900 | — | 1 490 911 | 15 423 | 2 198 | 1 922 299 |
| — | — | (993 946) | (12 256) | (3 478) | (1 144 193) |
| — | — | 165 582 | 67 385 | 525 751 | 791 153 |
| (140) | — | (21 381) | (4 027) | (15 998) | (42 275) |
| (416) | 811 | (6 503) | (30 472) | — | 32 002 |
| — | — | — | 42 459 | — | 42 459 |
| — | — | 12 706 | — | — | 35 566 |
| — | — | (22 516) | 935 | — | (18 903) |
| — | — | 4 285 | 301 | 11 695 | 22 953 |
| **204 344** | **811** | **629 138** | **79 748** | **520 168** | **1 641 061** |
| (1 104) | — | (90 295) | — | (5 851) | (99 438) |
| **203 240** | **811** | **538 843** | **79 748** | **514 317** | **1 541 623** |
| 281 586 | — | 2 071 787 | 17 175 | 11 199 | 2 683 985 |
| — | — | (1 657 920) | (17 182) | (4 611) | (1 845 416) |
| — | — | 304 694 | 98 968 | 422 908 | 852 025 |
| (187) | — | (27 652) | (7 292) | (11 958) | (47 118) |
| 8 435 | 340 | (12 821) | (66 683) | (2 274) | 39 268 |
| — | — | — | 27 244 | — | 27 244 |
| (1) | — | (24 640) | — | — | 63 254 |
| — | — | 13 241 | (820) | — | 26 720 |
| — | — | 2 045 | 1 402 | 3 426 | 6 877 |
| **289 833** | **340** | **668 734** | **52 812** | **418 690** | **1 806 839** |
| (1 145) | — | (126 786) | — | (3 020) | (133 301) |
| **288 688** | **340** | **541 948** | **52 812** | **415 670** | **1 673 538** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 16. Analysis of financial assets and liabilities by category of financial instrument

| | At fair value through profit and loss | | |
|---|---|---|---|
| | IFRS 9 mandatory | | |
| **At 31 March 2021**<br>**£'000** | Trading* | Non-trading* | Designated at initial recognition |
| **Assets** | | | |
| Cash and balances at central banks | — | — | — |
| Loans and advances to banks | — | — | — |
| Non-sovereign and non-bank cash placements | 1 133 | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 363 070 | 805 446 | 119 714 |
| Sovereign debt securities | — | 197 053 | — |
| Bank debt securities | — | 14 139 | — |
| Other debt securities | — | 206 297 | — |
| Derivative financial instruments** | 1 714 743 | — | — |
| Securities arising from trading activities | 972 927 | 32 762 | 18 982 |
| Investment portfolio | 8 790 | 889 217 | — |
| Loans and advances to customers | — | 588 995 | 1 094 623 |
| Own originated loans and advances to customers securitised | — | — | — |
| Other loans and advances | — | — | — |
| Other securitised assets | — | — | 111 676 |
| Interests in associated undertakings and joint venture holdings | — | — | — |
| Current taxation asset | — | — | — |
| Deferred taxation assets | — | — | — |
| Other assets | 159 178 | 56 773 | — |
| Property and equipment | — | — | — |
| Investment properties | — | — | — |
| Goodwill | — | — | — |
| Software | — | — | — |
| Other acquired intangible assets | — | — | — |
| Non-current assets classified as held for sale | — | 40 881 | — |
| | **3 219 841** | **2 831 563** | **1 344 995** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | — | — |
| | **3 219 841** | **2 831 563** | **1 344 995** |
| **Liabilities** | | | |
| Deposits by banks | — | — | 294 |
| Derivative financial instruments** | 2 190 487 | — | — |
| Other trading liabilities | 326 189 | — | — |
| Repurchase agreements and cash collateral on securities lent | 213 959 | — | — |
| Customer accounts (deposits) | — | — | 1 046 569 |
| Debt securities in issue | — | — | 118 690 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | — |
| Liabilities arising on securitisation of other assets | — | — | 108 281 |
| Current taxation liabilities | — | — | — |
| Deferred taxation liabilities | — | — | — |
| Other liabilities | 61 704 | 45 558 | — |
| | **2 792 339** | **45 558** | **1 273 834** |
| Liabilities to customers under investment contracts | — | — | — |
| Insurance liabilities, including unit-linked liabilities | — | — | — |
| | **2 792 339** | **45 558** | **1 273 834** |
| Subordinated liabilities | — | — | 334 804 |
| | **2 792 339** | **45 558** | **1 608 638** |

* 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

| At fair value through other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|
| Debt instruments with a dual business model | Equity instruments | Financial assets linked to investment contract liabilities | **Total instruments at fair value** | **Amortised cost** | **Non-financial instruments or scoped out of IFRS 9** | **Total** |
| — | — | — | — | 3 517 100 | — | 3 517 100 |
| — | — | — | — | 2 699 317 | — | 2 699 317 |
| — | — | — | 1 133 | 438 708 | — | 439 841 |
| — | — | — | 1 288 230 | 2 287 483 | — | 3 575 713 |
| 3 066 096 | — | — | 3 263 149 | 448 474 | — | 3 711 623 |
| 858 151 | — | — | 872 290 | 249 440 | — | 1 121 730 |
| 423 983 | — | — | 630 280 | 733 955 | — | 1 364 235 |
| — | — | — | 1 714 743 | — | — | 1 714 743 |
| — | — | — | 1 024 671 | — | — | 1 024 671 |
| — | 11 043 | — | 909 050 | — | — | 909 050 |
| 534 059 | — | — | 2 217 677 | 23 823 410 | — | 26 041 087 |
| — | — | — | — | 401 912 | — | 401 912 |
| — | — | — | — | 102 135 | — | 102 135 |
| — | — | — | 111 676 | 28 411 | — | 140 087 |
| — | — | — | — | — | 679 157 | 679 157 |
| — | — | — | — | — | 60 325 | 60 325 |
| — | — | — | — | — | 246 622 | 246 622 |
| — | — | — | 215 951 | 1 351 142 | 598 345 | 2 165 438 |
| — | — | — | — | — | 329 972 | 329 972 |
| — | — | — | — | — | 832 061 | 832 061 |
| — | — | — | — | — | 259 805 | 259 805 |
| — | — | — | — | — | 12 574 | 12 574 |
| — | — | — | — | — | 58 968 | 58 968 |
| — | — | — | 40 881 | — | 10 902 | 51 783 |
| **4 882 289** | **11 043** | **—** | **12 289 731** | **36 081 487** | **3 088 731** | **51 459 949** |
| | | | | | | |
| — | — | 52 405 | 52 405 | — | — | 52 405 |
| **4 882 289** | **11 043** | **52 405** | **12 342 136** | **36 081 487** | **3 088 731** | **51 512 354** |
| | | | | | | |
| — | — | — | 294 | 2 403 418 | — | 2 403 712 |
| — | — | — | 2 190 487 | — | — | 2 190 487 |
| — | — | — | 326 189 | — | — | 326 189 |
| — | — | — | 213 959 | 789 353 | — | 1 003 312 |
| — | — | — | 1 046 569 | 33 402 861 | — | 34 449 430 |
| — | — | — | 118 690 | 1 773 629 | — | 1 892 319 |
| — | — | — | — | 160 646 | — | 160 646 |
| — | — | — | 108 281 | — | — | 108 281 |
| — | — | — | — | — | 78 790 | 78 790 |
| — | — | — | — | — | 40 333 | 40 333 |
| — | — | — | 107 262 | 1 064 989 | 840 752 | 2 013 003 |
| **—** | **—** | **—** | **4 111 731** | **39 594 896** | **959 875** | **44 666 502** |
| — | — | 49 798 | 49 798 | — | — | 49 798 |
| — | — | 2 607 | 2 607 | — | — | 2 607 |
| **—** | **—** | **52 405** | **4 164 136** | **39 594 896** | **959 875** | **44 718 907** |
| — | — | — | 334 804 | 1 146 147 | — | 1 480 951 |
| **—** | **—** | **52 405** | **4 498 940** | **40 741 043** | **959 875** | **46 199 858** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 16. Analysis of financial assets and liabilities by category of financial instrument continued

| At 31 March 2020^ £'000 | At fair value through profit and loss – IFRS 9 mandatory: Trading* | At fair value through profit and loss – IFRS 9 mandatory: Non-trading* | At fair value through profit and loss: Designated at initial recognition |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | — | — | — |
| Loans and advances to banks | — | — | — |
| Non-sovereign and non-bank cash placements | — | 24 605 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 423 838 | 1 206 292 | 109 434 |
| Sovereign debt securities | — | 310 715 | — |
| Bank debt securities | 7 | 64 301 | — |
| Other debt securities | — | 386 023 | — |
| Derivative financial instruments** | 2 033 999 | — | — |
| Securities arising from trading activities | 579 550 | 19 807 | 119 040 |
| Investment portfolio | 6 377 | 983 989 | — |
| Loans and advances to customers | — | 760 950 | 934 505 |
| Own originated loans and advances to customers securitised | — | — | — |
| Other loans and advances | — | — | — |
| Other securitised assets | — | — | 112 440 |
| Interests in associated undertakings and joint venture holdings | — | — | — |
| Current taxation assets | — | — | — |
| Deferred taxation assets | — | — | — |
| Other assets | 119 251 | 773 | — |
| Property and equipment | — | — | — |
| Investment properties | — | — | — |
| Goodwill | — | — | — |
| Software | — | — | — |
| Other acquired intangible assets | — | — | — |
| Non-current assets classified as held for sale | — | — | — |
| | **3 163 022** | **3 757 455** | **1 275 419** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | — | — |
| | **3 163 022** | **3 757 455** | **1 275 419** |
| **Liabilities** | | | |
| Deposits by banks | — | — | 336 |
| Derivative financial instruments** | 2 150 265 | — | — |
| Other trading liabilities | 509 522 | — | — |
| Repurchase agreements and cash collateral on securities lent | 165 001 | — | — |
| Customer accounts (deposits) | — | — | 2 013 379 |
| Debt securities in issue | — | — | 219 915 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | — |
| Liabilities arising on securitisation of other assets | — | — | 110 679 |
| Current taxation liabilities | — | — | — |
| Deferred taxation liabilities | — | — | — |
| Other liabilities | 41 697 | 585 | — |
| | **2 866 485** | **585** | **2 344 309** |
| Liabilities to customers under investment contracts | — | — | — |
| Insurance liabilities, including unit-linked liabilities | — | — | — |
| | **2 866 485** | **585** | **2 344 309** |
| Subordinated liabilities | — | — | 343 233 |
| | **2 866 485** | **585** | **2 687 542** |

^ Restated as detailed in note 62 on pages 141 and 142.
* 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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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| **At fair value through other comprehensive income** | | | | | | |
|---|---|---|---|---|---|---|
| Debt instruments with a dual business model | Equity Instruments | Financial assets linked to investment contract liabilities | **Total instruments at fair value** | **Amortised cost** | **Non-financial instruments or scoped out of IFRS 9** | **Total** |
| — | — | — | — | 3 932 048 | — | 3 932 048 |
| — | — | — | — | 2 666 851 | — | 2 666 851 |
| — | — | — | 24 605 | 608 005 | — | 632 610 |
| — | — | — | 1 739 564 | 2 056 615 | — | 3 796 179 |
| 3 483 706 | — | — | 3 794 421 | 195 760 | — | 3 990 181 |
| 320 155 | — | — | 384 463 | 220 458 | — | 604 921 |
| 299 615 | — | — | 685 638 | 744 781 | — | 1 430 419 |
| — | — | — | 2 033 999 | — | — | 2 033 999 |
| — | — | — | 718 397 | — | — | 718 397 |
| — | 8 569 | — | 998 935 | — | — | 998 935 |
| 421 841 | — | — | 2 117 296 | 22 470 778 | — | 24 588 074 |
| — | — | — | — | 324 638 | — | 324 638 |
| — | — | — | — | 132 486 | — | 132 486 |
| — | — | — | 112 440 | 22 425 | — | 134 865 |
| — | — | — | — | — | 701 311 | 701 311 |
| — | — | — | — | — | 6 612 | 6 612 |
| — | — | — | — | — | 265 896 | 265 896 |
| — | — | — | 120 024 | 1 111 316 | 696 476 | 1 927 816 |
| — | — | — | — | — | 356 573 | 356 573 |
| — | — | — | — | — | 863 864 | 863 864 |
| — | — | — | — | — | 270 625 | 270 625 |
| — | — | — | — | — | 14 643 | 14 643 |
| — | — | — | — | — | 71 657 | 71 657 |
| — | — | — | — | — | 58 905 | 58 905 |
| **4 525 317** | **8 569** | **—** | **12 729 782** | **34 486 161** | **3 306 562** | **50 522 505** |
| — | — | 35 227 | 35 227 | — | — | 35 227 |
| **4 525 317** | **8 569** | **35 227** | **12 765 009** | **34 486 161** | **3 306 562** | **50 557 732** |
| — | — | — | 336 | 3 497 918 | — | 3 498 254 |
| — | — | — | 2 150 265 | — | — | 2 150 265 |
| — | — | — | 509 522 | — | — | 509 522 |
| — | — | — | 165 001 | 1 412 345 | — | 1 577 346 |
| — | — | — | 2 013 379 | 30 207 597 | — | 32 220 976 |
| — | — | — | 219 915 | 1 517 276 | — | 1 737 191 |
| — | — | — | — | 76 696 | — | 76 696 |
| — | — | — | 110 679 | — | — | 110 679 |
| — | — | — | — | — | 51 308 | 51 308 |
| — | — | — | — | — | 44 788 | 44 788 |
| — | — | — | 42 282 | 1 350 933 | 818 272 | 2 211 487 |
| **—** | **—** | **—** | **5 211 379** | **38 062 765** | **914 368** | **44 188 512** |
| | | 32 845 | 32 845 | — | — | 32 845 |
| | | 2 382 | 2 382 | — | — | 2 382 |
| **—** | **—** | **35 227** | **5 246 606** | **38 062 765** | **914 368** | **44 223 739** |
| — | — | — | 343 233 | 1 093 128 | — | 1 436 361 |
| **—** | **—** | **35 227** | **5 589 839** | **39 155 893** | **914 368** | **45 660 100** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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### 17. Financial instruments at fair value

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**<br>**£'000** | **Total instruments at fair value** | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | |
| Non-sovereign and non-bank cash placements | 1 133 | — | 1 133 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 288 230 | — | 1 288 230 | — |
| Sovereign debt securities | 3 263 149 | 3 263 149 | — | — |
| Bank debt securities | 872 290 | 446 322 | 425 968 | — |
| Other debt securities | 630 280 | 68 401 | 458 475 | 103 404 |
| Derivative financial instruments | 1 714 743 | 303 | 1 687 635 | 26 805 |
| Securities arising from trading activities | 1 024 671 | 1 013 194 | 6 317 | 5 160 |
| Investment portfolio | 909 050 | 40 159 | 6 363 | 862 528 |
| Loans and advances to customers* | 2 217 677 | — | 1 170 287 | 1 047 390 |
| Other securitised assets | 111 676 | — | 4 417 | 107 259 |
| Other assets | 215 951 | 215 951 | — | — |
| Non-current assets classified as held for sale | 40 881 | — | — | 40 881 |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 52 405 | 52 405 | — | — |
| | **12 342 136** | **5 099 884** | **5 048 825** | **2 193 427** |
| **Liabilities** | | | | |
| Deposits by banks | 294 | — | — | 294 |
| Derivative financial instruments | 2 190 487 | 45 879 | 2 116 868 | 27 740 |
| Other trading liabilities | 326 189 | 151 460 | 174 729 | — |
| Repurchase agreements and cash collateral on securities lent | 213 959 | — | 213 959 | — |
| Customer accounts (deposits) | 1 046 569 | — | 1 046 569 | — |
| Debt securities in issue | 118 690 | — | 118 690 | — |
| Liabilities arising on securitisation of other assets | 108 281 | — | — | 108 281 |
| Other liabilities | 107 262 | — | 61 704 | 45 558 |
| Liabilities to customers under investment contracts | 49 798 | — | 49 798 | — |
| Insurance liabilities, including unit-linked liabilities | 2 607 | — | 2 607 | — |
| Subordinated liabilities | 334 804 | 334 804 | — | — |
| | **4 498 940** | **532 143** | **3 784 924** | **181 873** |
| **Net financial assets at fair value** | **7 843 196** | **4 567 741** | **1 263 901** | **2 011 554** |

- 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.

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## 17. Financial instruments at fair value continued

| At 31 March 2020^<br>£'000 | Total instruments at fair value | Fair value category<br>Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-sovereign and non-bank cash placements | 24 605 | — | 24 605 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 739 564 | — | 1 739 564 | — |
| Sovereign debt securities | 3 794 421 | 3 794 421 | — | — |
| Bank debt securities | 384 463 | 250 257 | 134 206 | — |
| Other debt securities | 685 638 | 264 939 | 277 704 | 142 995 |
| Derivative financial instruments | 2 033 999 | 3 611 | 2 000 743 | 29 645 |
| Securities arising from trading activities | 718 397 | 691 813 | 20 384 | 6 200 |
| Investment portfolio | 998 935 | 141 890 | 8 375 | 848 670 |
| Loans and advances to customers* | 2 117 296 | — | 1 015 630 | 1 101 666 |
| Other securitised assets | 112 440 | — | 6 222 | 106 218 |
| Other assets | 120 024 | 120 024 | — | — |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 35 227 | 35 227 | — | — |
| | **12 765 009** | **5 302 182** | **5 227 433** | **2 235 394** |
| **Liabilities** | | | | |
| Deposits by banks | 336 | — | — | 336 |
| Derivative financial instruments | 2 150 265 | 13 853 | 2 109 731 | 26 681 |
| Other trading liabilities | 509 522 | 307 689 | 201 833 | — |
| Repurchase agreements and cash collateral on securities lent | 165 001 | — | 165 001 | — |
| Customer accounts (deposits) | 2 013 379 | — | 2 013 379 | — |
| Debt securities in issue | 219 915 | — | 219 915 | — |
| Liabilities arising on securitisation of other assets | 110 679 | — | — | 110 679 |
| Other liabilities | 42 282 | — | 41 697 | 585 |
| Liabilities to customers under investment contracts | 32 845 | — | 32 845 | — |
| Insurance liabilities, including unit-linked liabilities | 2 382 | — | 2 382 | — |
| Subordinated liabilities | 343 233 | 343 233 | — | — |
| | **5 589 839** | **664 775** | **4 786 783** | **138 281** |
| **Net financial assets/(liabilities) at fair value** | **7 175 170** | **4 637 407** | **440 650** | **2 097 113** |

^ Restated as detailed in note 62 on pages 141 and 142.

* 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
There were no transfers between level 1 and level 2 in the current and prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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**17. Financial instruments at fair value** continued

**Measurement of fair value financial assets and liabilities at level 2**

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

| | Valuation basis/techniques | Main inputs |
|---|---|---|
| **Assets** | | |
| Non-sovereign and non-bank cash placements | Discounted cash flow model | Yield curves |
| Reverse repurchase agreements and cash collateral on securities borrowed | Discounted cash flow model, Hermite interpolation, Black-Scholes | Yield curves, discount rates, volatilities |
| Bank debt securities | Discounted cash flow model | Yield curves |
| Other debt securities | Discounted cash flow model | Yield curves, NCD curves and swap curves, discount rates, 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 | Standard industry derivative pricing model, discounted cash flow model | Interest rate curves, implied bond spreads, equity volatilities, yield curves |
| Investment portfolio | Discounted cash flow model, relative valuation model, comparable quoted inputs | Discount rate and fund unit price, net assets |
| Loans and advances to customers | Discounted cash flow model | Yield curves |
| Other securitised assets | Discounted cash flow model | Yield curves |
| **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 | Yield curves, discount rates |
| Customer accounts (deposits) | Discounted cash flow model | Yield curves, 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 |
| Other liabilities | Discounted cash flow model | Yield curves |
| Liabilities to customers under investment contracts | Current price of underlying unitised assets | Listed prices |
| Insurance liabilities, including unit-linked liabilities | Current price of underlying unitised assets | Listed prices |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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### 17. Financial instruments at fair value continued

**Level 3 instruments**

The following tables show a reconciliation of the opening balances to the closing balances for level 3 financial instruments. All instruments are at fair value through profit or loss.

| £'000 | Investment portfolio | Loans and advances to customers | Other securitised assets | Other balance sheet assets^^ | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Balance at 1 April 2019** | **829 971** | **1 209 580** | **118 169** | **135 048** | **2 292 768** |
| Total gains/(losses) | (16 096) | 33 060 | (1 425) | 25 725 | 41 264 |
| In the income statement | (16 096) | 32 582 | (1 425) | 25 725 | 40 786 |
| In the statement of comprehensive income | — | 478 | — | — | 478 |
| Purchases | 363 115 | 1 349 397 | — | 59 048 | 1 771 560 |
| Sales | (278 853) | (1 039 464) | — | (1 082) | (1 319 399) |
| Settlements | (26 980) | (476 121) | (10 526) | (39 497) | (553 124) |
| Transfers into level 3 | 13 239 | — | — | — | 13 239 |
| Transfers out of level 3 | (4 785) | — | — | — | (4 785) |
| Foreign exchange adjustments | (30 941) | 25 214 | — | (402) | (6 129) |
| **Balance at 31 March 2020** | **848 670** | **1 101 666** | **106 218** | **178 840** | **2 235 394** |
| Total gains/(losses) | (20 077) | 21 188 | 8 732 | 11 787 | 21 630 |
| In the income statement | (20 077) | 23 380 | 8 732 | 11 787 | 23 822 |
| In the statement of comprehensive income | — | (2 192) | — | — | (2 192) |
| Purchases | 150 579 | 945 617 | — | 9 054 | 1 105 250 |
| Sales | (49 969) | (495 505) | — | (26 367) | (571 841) |
| Issues | — | — | — | 37 | 37 |
| Settlements | (23 935) | (480 644) | (7 691) | (29 409) | (541 679) |
| Transfers into level 3 | 13 | 7 802 | — | 5 032 | 12 847 |
| Transfers to non-current assets classified as held for sale^ | (39 093) | — | — | 39 093 | — |
| Foreign exchange adjustments | (3 660) | (52 734) | — | (11 817) | (68 211) |
| **Balance at 31 March 2021** | **862 528** | **1 047 390** | **107 259** | **176 250** | **2 193 427** |

^ As at 31 March 2021 certain equity investments to the value of £39.1 million were transferred out of investment portfolio to non-current assets held for sale in anticipation of the sale to occur in the short term. These equity investments form part of the Group Investments and Corporate, Investment Banking and Other segments.

^^ Comprises of level 3 other debt securities, derivative financial instruments and securities arising from trading.

For the year ended 31 March 2021, following a review of the valuation methodology of a number of financial instruments, the following transfers were made during the year: loans and advances to customers of £7.8 million from level 2 to level 3; other debt securities of £4.6 million from level 2 to level 3 and derivative assets of £0.4 million from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

For the year ended 31 March 2020 £4.8 million of assets was transferred from level 3 into level 1 due to a listing of securities. £13.2 million of instruments was transferred into level 3 due to delisting.

| £'000 | Liabilities arising on securitisation of other assets | Other balance sheet liabilities^^^ | Total |
|---|---|---|---|
| **Liabilities** | | | |
| **Balance at 1 April 2019** | **113 711** | **20 231** | **133 942** |
| Total gains/(losses) in the income statement | (2 094) | 10 341 | 8 247 |
| Purchases | — | 987 | 987 |
| Issues | 7 306 | — | 7 306 |
| Settlements | (8 244) | (4 428) | (12 672) |
| Foreign exchange adjustments | — | 471 | 471 |
| **Balance at 31 March 2020** | **110 679** | **27 602** | **138 281** |
| Total gains in the income statement | 5 460 | 7 798 | 13 258 |
| Issues | — | 40 085 | 40 085 |
| Settlements | (7 858) | (1 186) | (9 044) |
| Foreign exchange adjustments | — | (707) | (707) |
| **Balance at 31 March 2021** | **108 281** | **73 592** | **181 873** |

^^^ Comprises of level 3 deposits by banks, derivative financial instruments and other liabilities.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 17. Financial instruments at fair value continued

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

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

| For the year to 31 March<br>£'000 | Total | Realised | Unrealised |
|---|---|---|---|
| **2021** | | | |
| **Total gains/(losses) included in the income statement for the year** | | | |
| Net interest income | 61 446 | 52 093 | 9 353 |
| Investment income* | (50 178) | (6) | (50 172) |
| Trading income arising from customer flow | (2 389) | 428 | (2 817) |
| Trading income arising from balance sheet management and other trading activities | 1 685 | — | 1 685 |
| | **10 564** | **52 515** | **(41 951)** |
| **Total gains/(losses) included in other comprehensive income for the year** | | | |
| Gains 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/(losses) included in the income statement for the year** | | | |
| Net interest income | 77 586 | 60 922 | 16 664 |
| Fee and commission expense | (3 184) | — | (3 184) |
| Investment (loss)/income* | (48 949) | 67 274 | (116 223) |
| Trading loss arising from customer flow | (1 895) | — | (1 895) |
| Trading income arising from balance sheet management and other trading activities | 8 981 | — | 8 981 |
| | **32 539** | **128 196** | **(95 657)** |
| **Total gains/(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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 17. Financial instruments at fair value continued

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

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking the 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:

| | | | | Potential impact on the income statement | |
|---|---|---|---|---|---|
| **At 31 March 2021** | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | **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) |
| | | Underlying asset value^^ | ^^ | 4 724 | (4 724) |
| | | Cash flow adjustment | CPR 4.4% | 9 | (9) |
| | | 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 | 862 528 | Potential impact on income statement | | 104 666 | (164 098) |
| | | Price earnings multiple | 4.2x-9.0x | 5 560 | (13 330) |
| | | Underlying asset value^^ | ^^ | 2 561 | (5 967) |
| | | EBITDA | ** | 30 225 | (23 679) |
| | | Discount rate | 13%-17% | 2 482 | (4 149) |
| | | Cash flows | ** | 1 875 | (1 383) |
| | | Underlying asset value^^ | ^^ | 1 991 | (3 707) |
| | | Precious and industrial metal prices | (5%)-5% | 1 346 | (1 346) |
| | | Property prices | (10%)-10% | 32 188 | (32 188) |
| | | Other^ | ^ | 26 438 | (78 349) |
| Loans and advances to customers | 1 047 390 | Potential impact on income statement | | 25 603 | (43 785) |
| | | Credit spreads | 0.08%-37.3% | 9 439 | (14 745) |
| | | Discount rate | 0.05 | — | — |
| | | Price earnings multiple | 3.5x-4.1x | 4 200 | (2) |
| | | Underlying asset value^^ | ^^ | 3 267 | (9 105) |
| | | 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) |
| Non-current assets classified as held for sale | 40 881 | Potential impact on income statement | | 2 417 | (2 533) |
| | | Discount rate | 13%-15% | 658 | (774) |
| | | Property prices | (10%)-10% | 1 759 | (1 759) |
| **Total level 3 assets** | **2 193 427** | | | **150 161** | **(240 012)** |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 17. Financial instruments at fair value continued

| | | | | Potential impact on the income statement | |
|---|---|---|---|---|---|
| **At 31 March 2021** | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | **Favourable changes £'000** | **Unfavourable changes £'000** |
| **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 |
| Other liabilities | 45 558 | Potential impact on income statement | | | |
| | | Property prices | (10%)-10% | (4 556) | 4 556 |
| **Total level 3 liabilities** | **181 873** | | | **(9 519)** | **9 640** |
| **Net level 3 assets** | **2 011 554** | | | | |

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
** The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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### 17. Financial instruments at fair value continued

| At 31 March 2020 | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | Potential impact on the income statement: Favourable changes £'000 | Potential impact on the income statement: Unfavourable changes £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Other debt securities | 142 995 | Potential impact on income statement | | 4 418 | (12 430) |
| | | Credit spreads | 0.29%-0.89% | 23 | (144) |
| | | Discount rate | CPR 5.3% | 7 | (43) |
| | | Underlying asset value | 0.0605 | 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 | 848 670 | Potential impact on income statement | | 90 235 | (156 683) |
| | | Price earnings multiple | 5.3x-9.7x | 5 210 | (12 742) |
| | | Underlying asset value | ^^ | 9 553 | (8 695) |
| | | EBITDA | ** | 25 422 | (25 302) |
| | | Discount rate | (0.1%)/1.9% | 969 | (3 887) |
| | | Cash flows | ** | 2 679 | (1 760) |
| | | Property values | (10%)/10% | 14 806 | (14 806) |
| | | Precious and industrial metal prices | (6%)/6% | 742 | (1 237) |
| | | Underlying asset value | # | 1 096 | (3 003) |
| | | Other^ | ^ | 29 758 | (85 251) |
| Loans and advances to customers | 1 101 666 | Potential impact on income statement | | 21 224 | (54 897) |
| | | Credit spreads | 0.05%-5.9% & PAR | 1 099 | (7 041) |
| | | Price earnings multiple | 3.85x-7x | 636 | (466) |
| | | Underlying asset value | ^^ | 647 | (352) |
| | | Property values | (5%)/5% | 23 | (23) |
| | | Underlying asset value | * | 1 903 | (3 145) |
| | | Property values | # | 278 | (278) |
| | | 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** | **2 235 394** | | | **132 033** | **(236 979)** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

**17. Financial instruments at fair value** continued

| At 31 March 2020 | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | Potential impact on the income statement: Favourable changes £'000 | Potential impact on the income statement: Unfavourable changes £'000 |
|---|---|---|---|---|---|
| **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 |
| | | Cash flow adjustments | 5.60% | (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 |
| Other liabilities | 585 | Potential impact on income statement | | | |
| | | Property values | (10%)/10% | (58) | 58 |
| **Total level 3 liabilities** | **138 281** | | | **(8 533)** | **8 532** |
| **Net level 3 assets** | **2 097 113** | | | | |

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
** The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.

In determining the value of level 3 financial instruments, the following are the principal input 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.

**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.

**EBITDA**
The company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

**Price earnings multiple**
The price-to-earnings ratio is an equity valuation multiple. It is a key driver in the valuation of unlisted investments.

**Property values and precious and industrial metals**
The property value and precious and industrial metals is a key driver of future cash flows on these 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.

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## 18. Fair value of financial instruments at amortised cost

| At 31 March £'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 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances at central banks | 3 517 100 | 3 517 100 | — | — | — | — | — |
| Loans and advances to banks | 2 699 317 | 2 693 819 | 5 498 | 5 474 | — | — | 5 474 |
| Non-sovereign and non-bank cash placements | 438 708 | 438 708 | — | — | — | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 287 483 | 1 199 041 | 1 088 442 | 1 088 987 | — | 1 088 987 | — |
| Sovereign debt securities | 448 474 | — | 448 474 | 456 716 | 456 716 | — | — |
| Bank debt securities | 249 440 | 88 370 | 161 070 | 170 384 | 170 384 | — | — |
| Other debt securities | 733 955 | 254 240 | 479 715 | 483 461 | 56 094 | 420 432 | 6 935 |
| Loans and advances to customers | 23 823 410 | 12 556 718 | 11 266 692 | 11 258 257 | — | 969 764 | 10 288 493 |
| Own originated loans and advances to customers securitised | 401 912 | 401 912 | — | — | — | — | — |
| Other loans and advances | 102 135 | 39 920 | 62 215 | 62 916 | — | 62 916 | — |
| Other securitised assets | 28 411 | 28 411 | — | — | — | — | — |
| Other assets | 1 351 142 | 1 350 870 | 272 | 256 | — | — | 256 |
| | **36 081 487** | **22 569 109** | **13 512 378** | **13 526 451** | **683 194** | **2 542 099** | **10 301 158** |
| **Liabilities** | | | | | | | |
| Deposits by banks | 2 403 418 | 465 326 | 1 938 092 | 1 957 489 | — | 1 954 833 | 2 656 |
| Repurchase agreements and cash collateral on securities lent | 789 353 | 140 679 | 648 674 | 650 958 | — | 650 958 | — |
| Customer accounts (deposits) | 33 402 861 | 21 352 293 | 12 050 568 | 12 111 490 | — | 12 111 490 | — |
| Debt securities in issue | 1 773 629 | 497 583 | 1 276 046 | 1 303 071 | 432 052 | 871 019 | — |
| Liabilities arising on securitisation of own originated loans and advances | 160 646 | 160 646 | — | — | — | — | — |
| Liabilities arising on securitisation of other assets | — | — | — | — | — | — | — |
| Other liabilities | 1 064 989 | 1 060 712 | 4 277 | 3 660 | — | — | 3 660 |
| Subordinated liabilities | 1 146 147 | 154 489 | 991 658 | 1 107 936 | 1 107 936 | — | — |
| | **40 741 043** | **23 831 728** | **16 909 315** | **17 134 604** | **1 539 988** | **15 588 300** | **6 316** |

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### 18. Fair value of financial instruments at amortised cost continued

| At 31 March £'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 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | |
| **Assets** | | | | | | | |
| Cash and balances at central banks | 3 932 048 | 3 932 048 | — | — | — | — | — |
| Loans and advances to banks | 2 666 851 | 2 661 799 | 5 052 | 4 895 | — | — | 4 895 |
| Non-sovereign and non-bank cash placements | 608 005 | 608 005 | — | — | — | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 056 615 | 1 588 320 | 468 295 | 468 120 | — | 468 120 | — |
| Sovereign debt securities | 195 760 | — | 195 760 | 229 207 | 229 207 | — | — |
| Bank debt securities | 220 458 | 93 452 | 127 006 | 122 463 | 122 463 | — | — |
| Other debt securities | 744 781 | 15 965 | 728 816 | 664 638 | 94 296 | 562 805 | 7 537 |
| Loans and advances to customers | 22 470 778 | 12 132 899 | 10 337 879 | 10 369 797 | — | 937 312 | 9 432 485 |
| Own originated loans and advances to customers securitised | 324 638 | 324 638 | — | — | — | — | — |
| Other loans and advances | 132 486 | 40 433 | 92 053 | 79 811 | — | 79 811 | — |
| Other securitised assets | 22 425 | 22 425 | — | — | — | — | — |
| Other assets | 1 111 316 | 1 110 583 | 733 | 141 | — | — | 141 |
| | **34 486 161** | **22 530 567** | **11 955 594** | **11 939 072** | **445 966** | **2 048 048** | **9 445 058** |
| **Liabilities** | | | | | | | |
| Deposits by banks | 3 497 918 | 513 399 | 2 984 519 | 3 010 021 | 8 938 | 2 997 181 | 3 902 |
| Repurchase agreements and cash collateral on securities lent | 1 412 345 | 290 864 | 1 121 481 | 1 126 989 | — | 1 126 989 | — |
| Customer accounts (deposits)^ | 30 207 597 | 15 093 134 | 15 114 463 | 15 149 441 | — | 15 149 441 | — |
| Debt securities in issue | 1 517 276 | 251 102 | 1 266 174 | 1 281 407 | 424 712 | 856 695 | — |
| Liabilities arising on securitisation of own originated loans and advances | 76 696 | 76 696 | — | — | — | — | — |
| Other liabilities | 1 350 933 | 1 343 559 | 7 374 | 6 576 | — | — | 6 576 |
| Subordinated liabilities | 1 093 128 | 105 939 | 987 189 | 607 394 | 607 394 | — | — |
| | **39 155 893** | **17 674 693** | **21 481 200** | **21 181 828** | **1 041 044** | **20 130 306** | **10 478** |

^ £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.

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 to 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.

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**18. Fair value of financial instruments at amortised cost** continued

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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### 19. Financial instruments 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 | 18 982 | 2 707 | 915 | (1 128) | (1 380) | 18 982 |
| Loans and advances to customers | 1 094 623 | 1 454 | 34 724 | (2 325) | (5 608) | 1 059 900 |
| Other securitised assets | 111 676 | 5 462 | (3 173) | 5 462 | (3 173) | 111 676 |
| | **1 344 995** | **1 125** | **37 080** | **2 009** | **(10 161)** | **1 190 558** |
| **2020^** | | | | | | |
| Reverse repurchase agreements and cash collateral on securities borrowed | 109 434 | (24 617) | (27 517) | (1 043) | (1 006) | 109 434 |
| Securities arising from trading activities | 119 040 | (17 011) | (12 868) | (1 193) | (1 152) | 119 040 |
| Loans and advances to customers | 934 505 | (26 321) | 30 580 | (1 821) | (3 017) | 903 931 |
| Other securitised assets | 112 440 | (3 959) | (9 332) | (3 959) | (9 332) | 112 440 |
| | **1 275 419** | **(71 908)** | **(19 137)** | **(8 016)** | **(14 507)** | **1 244 845** |

^ Restated as detailed in note 62 on pages 141 and 142.

| At 31 March £'000 | Carrying value | Remaining contractual amount to be repaid at maturity | Fair value adjustment Current | Fair value adjustment Cumulative |
|---|---|---|---|---|
| **Liabilities** | | | | |
| **2021** | | | | |
| Deposits by banks | 294 | 1 335 | (11) | (649) |
| Customer accounts (deposits) | 1 046 568 | 1 002 477 | 10 165 | 11 369 |
| Debt securities in issue | 118 690 | 107 028 | 30 559 | 18 178 |
| Liabilities arising on securitisation of other assets | 108 281 | 113 015 | 6 001 | (4 946) |
| Subordinated liabilities | 334 804 | 307 962 | (8 429) | 23 269 |
| | **1 608 637** | **1 531 817** | **38 285** | **47 221** |
| **2020** | | | | |
| Deposits by banks | 336 | 1 478 | (637) | (637) |
| Customer accounts (deposits) | 2 013 379 | 1 983 034 | 5 884 | 23 811 |
| Debt securities in issue | 219 915 | 239 556 | (28 672) | (24 857) |
| Liabilities arising on securitisation of other assets | 110 679 | 122 496 | (2 261) | (11 912) |
| Subordinated liabilities | 343 233 | 307 962 | (24 555) | 31 698 |
| | **2 687 542** | **2 654 526** | **(50 241)** | **18 103** |

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.

Current and cumulative changes in fair value of financial liabilities attributable to credit risk were both £5.4 million (2020: £17.0 million) and £8.7 million (2020: £2.3 million) respectively.

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### 20. Cash and balances at central banks

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| Gross cash and balances at central banks | 3 517 100 | 3 932 110 |
| Expected credit loss on amortised cost | — | (62) |
| **Net cash and balances at central banks** | **3 517 100** | **3 932 048** |
| The country risk of cash and balances at central banks lies in the following geographies: | | |
| South Africa | 459 307 | 1 641 989 |
| United Kingdom | 2 993 129 | 2 235 297 |
| Europe (excluding UK) | 49 905 | 42 022 |
| Africa (excluding RSA) | 14 759 | 12 740 |
| | **3 517 100** | **3 932 048** |

### 21. Loans and advances to banks

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| Gross loans and advances to banks | 2 699 586 | 2 667 076 |
| Expected credit loss on amortised cost | (269) | (225) |
| **Net loans and advances to banks** | **2 699 317** | **2 666 851** |
| The country risk of loans and advances to banks lies in the following geographies: | | |
| South Africa | 532 653 | 282 492 |
| United Kingdom | 626 263 | 1 067 036 |
| Europe (excluding UK) | 1 016 419 | 717 738 |
| North America | 288 177 | 325 838 |
| Africa (excluding RSA) | 64 626 | 97 629 |
| Asia | 59 463 | 40 087 |
| Australia | 111 561 | 136 031 |
| Other | 155 | — |
| | **2 699 317** | **2 666 851** |

### 22. 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 | 3 575 756 | 3 796 203 |
| Expected credit loss on amortised cost | (43) | (24) |
| **Net reverse repurchase agreements and cash collateral on securities borrowed** | **3 575 713** | **3 796 179** |
| Reverse repurchase agreements | 3 376 338 | 3 526 669 |
| Cash collateral on securities borrowed | 199 375 | 269 510 |
| | **3 575 713** | **3 796 179** |
| As part of the reverse repurchase and securities borrowing agreements the group have received securities that they are allowed to sell or re pledge. £3.1 billion (2020^: £669.9 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions. | | |
| **Liabilities** | | |
| Repurchase agreements | 916 502 | 1 551 445 |
| Cash collateral on securities lent | 86 810 | 25 901 |
| | **1 003 312** | **1 577 346** |

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £929 million (2020: £1.3 billion). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 53.

^ Restated as detailed in note 62 on pages 141 and 142.

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## 23. Sovereign debt securities

| At 31 March<br>£'000 | 2021 | 2020^ |
|---|---|---|
| Gross sovereign debt securities | 3 711 868 | 3 990 369 |
| Expected credit loss on amortised cost | (245) | (188) |
| **Net sovereign debt securities** | **3 711 623** | **3 990 181** |
| Bonds | 1 689 975 | 1 381 159 |
| Government securities | 635 047 | 273 711 |
| Treasury bills | 1 339 888 | 2 335 311 |
| Floating rate notes | 46 713 | — |
| | **3 711 623** | **3 990 181** |
| The country risk of the sovereign debt securities lies in the following geographies: | | |
| South Africa | 2 553 600 | 2 896 197 |
| United Kingdom | 359 523 | 697 758 |
| Europe (excluding UK) | 66 547 | 31 831 |
| North America | 668 490 | 336 815 |
| Africa (excl RSA) | 13 545 | 9 026 |
| Australia | 49 918 | 18 554 |
| | **3 711 623** | **3 990 181** |

^ Restated as detailed in note 62 on pages 141 and 142.

## 24. Bank debt securities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Gross bank debt securities | 1 121 883 | 605 120 |
| Expected credit loss on amortised cost | (153) | (199) |
| **Net bank debt securities** | **1 121 730** | **604 921** |
| Bonds | 807 757 | 494 819 |
| Floating rate notes | 313 973 | 80 805 |
| Asset-based securities | — | 29 297 |
| | **1 121 730** | **604 921** |
| The country risk of the bank debt securities lies in the following geographies: | | |
| South Africa | 293 576 | 306 695 |
| United Kingdom | 314 299 | 148 551 |
| Europe (excluding UK) | 254 722 | 71 987 |
| North America | 74 177 | 15 800 |
| Africa (excluding RSA) | 13 738 | 13 887 |
| Asia | 118 869 | — |
| Australia | 52 349 | 48 001 |
| | **1 121 730** | **604 921** |

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## 25. Other debt securities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Gross other debt securities | 1 365 985 | 1 431 671 |
| Expected credit loss on amortised cost | (1 750) | (1 252) |
| **Net other debt securities** | **1 364 235** | **1 430 419** |
| Bonds | 597 454 | 742 695 |
| Floating rate notes | 165 027 | 180 675 |
| Asset-based securities | 601 754 | 507 049 |
| | **1 364 235** | **1 430 419** |
| The country risk of the sovereign debt securities lies in the following geographies: | | |
| South Africa | 377 686 | 445 459 |
| United Kingdom | 430 228 | 290 382 |
| Europe (excluding UK) | 109 551 | 266 769 |
| North America | 407 655 | 357 809 |
| Asia | 39 115 | 70 000 |
| | **1 364 235** | **1 430 419** |

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### 26. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of 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 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 | 17 804 207 | 323 494 | 221 244 | 19 903 629 | 348 880 | 421 825 |
| Currency swaps | 13 374 264 | 396 199 | 446 176 | 7 790 418 | 319 630 | 601 956 |
| OTC options bought and sold | 5 500 526 | 82 600 | 96 918 | 5 092 972 | 118 112 | 112 619 |
| Other foreign exchange contracts | 206 629 | 2 934 | 567 | 183 668 | 466 | 513 |
| | **36 885 626** | **805 227** | **764 905** | **32 970 687** | **787 088** | **1 136 913** |
| **Interest rate derivatives** | | | | | | |
| Caps and floors | 9 584 616 | 20 976 | 14 989 | 9 690 775 | 23 686 | 20 865 |
| Swaps | 99 223 908 | 506 394 | 556 394 | 90 340 377 | 620 575 | 493 101 |
| Forward rate agreements | 26 680 182 | 12 552 | 17 057 | 957 498 | 57 527 | 64 318 |
| OTC options bought and sold | 62 176 | 831 | 132 | 21 975 | — | 174 |
| Other interest rate contracts | 116 508 | 5 043 | 1 726 | 288 308 | 41 670 | 291 |
| **OTC derivatives** | **135 667 390** | **545 796** | **590 298** | **101 298 933** | **743 458** | **578 749** |
| Exchange traded futures | 359 102 | — | | 48 460 | 3 662 | 35 |
| | **136 026 492** | **545 796** | **590 298** | **101 347 393** | **747 120** | **578 784** |
| **Equity and stock index derivatives** | | | | | | |
| OTC options bought and sold | 4 783 183 | 305 805 | 552 738 | 6 258 714 | 358 012 | 283 121 |
| Equity swaps and forwards | 1 228 908 | 34 451 | 464 621 | 119 436 | 52 823 | 334 289 |
| **OTC derivatives** | **6 012 091** | **340 256** | **1 017 359** | **6 378 150** | **410 835** | **617 410** |
| Exchange traded futures | 502 917 | 281 | — | 353 727 | — | — |
| Exchange traded options | 16 930 831 | — | 232 642 | 9 896 516 | — | 237 424 |
| Warrants | 412 | 19 | — | 15 909 | — | — |
| | **23 446 251** | **340 556** | **1 250 001** | **16 644 302** | **410 835** | **854 834** |
| **Commodity derivatives** | | | | | | |
| OTC options bought and sold | 224 256 | 31 209 | 38 347 | 483 474 | 42 191 | 49 487 |
| Commodity swaps and forwards | 1 558 852 | 53 833 | 94 807 | 979 696 | 186 934 | 182 113 |
| | **1 783 108** | **85 042** | **133 154** | **1 463 170** | **229 125** | **231 600** |
| **Credit derivatives** | **808 982** | **12 488** | **5 007** | **1 017 538** | **17 772** | **20 288** |
| **Other derivatives** | | **4 483** | **—** | | **4 180** | **—** |
| **Cash collateral** | | **(78 849)** | **(552 878)** | | **(162 121)** | **(672 154)** |
| **Derivatives per balance sheet** | | **1 714 743** | **2 190 487** | | **2 033 999** | **2 150 265** |

^ Restated as detailed in note 62 on pages 141 and 142.

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## 27. Securities arising from trading activities

| At 31 March<br>£'000 | 2021 | 2020^ |
|---|---|---|
| Bonds | 39 119 | 145 968 |
| Government securities | 4 101 | 46 733 |
| Listed equities | 926 174 | 488 476 |
| Unlisted equities | 5 319 | — |
| Floating rate notes | 47 634 | 35 495 |
| Other investments | 2 324 | 1 725 |
| | **1 024 671** | **718 397** |

^ Restated as detailed in note 62 on pages 141 and 142.

## 28. Investment portfolio

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Listed equities | 40 436 | 142 482 |
| Unlisted equities* | 503 650 | 520 419 |
| Fair value loan investments | 364 964 | 336 034 |
| | **909 050** | **998 935** |

* Unlisted equities include loan instruments that are convertible into equity.
Included in unlisted equities is an investment of £11.0 million (2020: £8.6 million) in a portfolio of perpetual preference shares issued by South African listed banks which is measured at FVOCI. Dividends recognised on the portfolio of preference shares £0.8 million (2020: £0.7 million). The group measures these investments at FVOCI as it considers them to be strategic investments.

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## 29. Loans and advances to customers and other loans and advances

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Gross loans and advances to customers at amortised cost | 24 115 443 | 22 792 104 |
| Gross loans and advances to customers at FVOCI# | 534 059 | 421 841 |
| Gross loans and advances to customers designated at FVPL at inception^ | 1 099 781 | 937 522 |
| **Gross loans and advances to customers subject to expected credit losses** | **25 749 283** | **24 151 467** |
| Expected credit losses on loans and advances to customers at amortised cost and FVOCI^ | (297 191) | (324 343) |
| | **25 452 092** | **23 827 124** |
| Loans and advances to customers at fair value through profit and loss | 588 995 | 760 950 |
| **Net loans and advances to customers** | **26 041 087** | **24 588 074** |
| Gross other loans and advances | 103 367 | 133 628 |
| Expected credit losses on other loans and advances | (1 232) | (1 142) |
| **Net other loans and advances** | **102 135** | **132 486** |

^ These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost.

# Expected credit losses above do not include £5 million (2020: £2 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Expected credit losses on loans and advances to customers at amortised cost** | | |
| Balance at the beginning of the year | 324 343 | 291 015 |
| Charge to the income statement | 103 855 | 136 641 |
| Utilised | (143 889) | (85 192) |
| Transfers | — | 4 973 |
| Exchange adjustment | 12 882 | (23 094) |
| **Balance at the end of the year** | **297 191** | **324 343** |
| **Expected credit losses on other loans and advances at amortised cost** | | |
| Balance at the beginning of the year | 1 142 | 1 407 |
| Release to the income statement | (70) | (33) |
| Exchange adjustment | 160 | (232) |
| **Balance at the end of the year** | **1 232** | **1 142** |

For further analysis on loans and advances refer to pages 28 to 40 in volume two in the risk management section.

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## 30. Securitised assets and liabilities arising on securitisation

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Gross own originated loans and advances to customers securitised | 403 130 | 325 359 |
| Expected credit loss of own originated loans and advances to customers securitised | (1 218) | (721) |
| **Net own originated loans and advances to customers securitised** | **401 912** | **324 638** |
| Other securitised assets are made up of the following categories of assets: | | |
| Cash and cash equivalents | 28 411 | 22 425 |
| Loans and advances to customers | 105 902 | 106 303 |
| Other debt securities | 5 774 | 6 137 |
| **Total other securitised assets** | **140 087** | **134 865** |
| The associated liabilities are recorded on balance sheet in the following line items: | | |
| **Liabilities arising on securitisation of own originated loans and advances** | **160 646** | **76 696** |
| **Liabilities arising on securitisation of other assets** | **108 281** | **110 679** |
| **Expected credit losses on own originated loans and advances to customers securitised at amortised cost** | | |
| Balance at the beginning of year | 721 | 550 |
| Charge to the income statement | 407 | 317 |
| Exchange adjustment | 90 | (146) |
| **Balance at the end of year** | **1 218** | **721** |

## 31. Interests in associated undertakings and joint venture holdings

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Analysis of the movement in interests in associated undertakings and joint venture holdings:** | | |
| At the beginning of the year | 701 311 | 387 750 |
| Acquisitions | — | 48 477 |
| Ninety One shareholding arising from demerger | — | 339 749 |
| Disposals^ | (34 637) | (615) |
| Share of post-taxation profit of associates and joint venture holdings (excluding recycling of foreign exchange losses) | 47 086 | 27 340 |
| Profits or losses recognised in other comprehensive income and equity | (17 954) | (2 387) |
| Demerger of business | — | (37) |
| Dividends declared by associate | (23 532) | (3 141) |
| Transfers between asset classes | 322 | 17 370 |
| Exchange adjustments | 32 602 | (67 347) |
| Impairment of associates and joint venture holdings^^ | (16 773) | (45 400) |
| Amortisation of acquired intangibles of associates | (9 268) | (448) |
| **At the end of the year** | **679 157** | **701 311** |

^ The proceeds related to the sale of UK Nestor were received post 31 March 2021.
^^ Of the £16.8 million (2020: £45.4 million) impairment of associates and joint venture holdings, £12.1 million relates to the impairment to transaction price for the sale of IPF's investment in associate, UK Nestor and £4.7million (2020: £45.4 million) impairment to equity accounted value of the group's investment in IEP.

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## 31. Interests in associated undertakings and joint venture holdings continued

| | IEP Group Proprietary Limited | | UK Nestor# | | Ninety One | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| **Details of material associated companies** | | | | | | |
| **Summarised financial information (R'million):** | | | | | | |
| **For the year to 31 March** | | | | | | |
| Revenue | 628 564 | 729 819 | 11 953 | — | 603 500 | 19 200 |
| (Loss)/profit after taxation | (1 219) | 137 573 | (12 468) | — | 154 600 | 20 000 |
| Total comprehensive (loss)/income | (375) | 94 448 | (12 468) | — | 161 000 | 20 000 |
| **At 31 March** | | | | | | |
| **Assets** | | | | | | |
| Non-current assets | 958 323 | 928 024 | — | 294 685 | 155 000 | 145 200 |
| Current assets | 302 923 | 268 864 | — | 15 393 | 9 749 600 | 7 506 100 |
| **Liabilities** | | | | | | |
| Non-current liabilities | 439 454 | 427 763 | — | 169 868 | 175 400 | 145 700 |
| Current liabilities | 147 189 | 116 466 | — | 7 223 | 9 475 900 | 7 354 500 |
| **Net asset value** | **674 603** | **652 659** | **—** | **132 987** | **253 300** | **151 100** |
| Non-controlling interest | 137 121 | 111 636 | — | — | 200 | 400 |
| Shareholders' equity | 537 482 | 541 023 | — | 132 987 | 253 100 | 150 700 |
| Effective interest in issued share capital | 47.4% | 47.4% | — | 38.0% | 25.0% | 25.0% |
| Net asset value | 251 319^ | 235 290^ | — | 49 247 | 164 560^^ | 146 283^^ |
| Goodwill | — | — | — | 1 288 | 198 015 | 188 074 |
| **Carrying value of interest – equity method** | **251 319** | **235 290** | **—** | **50 535** | **362 575** | **334 357** |

^ The group's share of the net asset value of IEP is £254.8 million (47.4% of £537 million) (2020: £256.4 million, 47.4% of £541.0 million) reduced by the portion of the impairment of IEP that exceeded the value of the goodwill.

# UK Nestor is an associate of Investec Property Fund that was disposed of during March 2021.

^^ The investment in Ninety One was initially recognised on 13 March 2020 at a fair value of £330.0 million with subsequent equity accounted earnings increasing the value to £362.6 million (2020: £334.4 million). The portion of the net asset value of Ninety One, was £37.7 million (25% of £150.7 million) on 31 March 2020. The difference between the carrying value of Ninety One and the group's share of the net asset value relates to goodwill and intangibles recognised within the value of Ninety One at the time of gaining significant influence.

Income statement and other comprehensive income items are only shown for the period for which they are equity accounted.

Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of £4.7 million (2020: £45.4 million) in total in the current year. Management of IEP identified indicators of impairment of investments in subsidiaries and recognised an impairment of £4.7 million. As a result of this impairment, Investec management performed an impairment test on the investment in IEP and did not recognise any additional impairment for the IEP investment. In the prior year, management of IEP identified indicators of impairment of two investments in associates and recognised an impairment of £10.7 million. Investec management performed an impairment test on the investment in IEP in the prior year and recognised an additional impairment of £34.7 million. The recoverable amount of the investment in IEP was determined to be the value-in-use of the investment. The value-in-use was determined by calculating the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments taking into account management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. This estimate was performed for each of the assets held by IEP, using valuation techniques and assumptions management believed to be most representative of the ultimate realisation of the investments.

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## 32. Deferred taxation

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Deferred taxation assets | 246 622 | 265 896 |
| Deferred taxation liabilities | (40 333) | (44 788) |
| **Net deferred taxation assets** | **206 289** | **221 108** |
| The net deferred taxation assets arise from: (still to be completed and balanced) | | |
| Deferred capital allowances | 40 376 | 37 433 |
| Income and expenditure accruals | 85 369 | 79 729 |
| Asset in respect of unexpired options | 11 320 | 9 022 |
| Unrealised fair value adjustments on financial instruments | 35 186 | 68 670 |
| Losses carried forward | 33 263 | 33 410 |
| Deferred tax on acquired intangibles | (11 302) | (14 203) |
| Revaluation of property | (13 398) | (11 416) |
| Finance lease accounting | 2 263 | 3 902 |
| Cash flow hedges | 22 897 | 14 246 |
| Other temporary differences | 315 | 315 |
| **Net deferred taxation assets** | **206 289** | **221 108** |
| Reconciliation of net deferred taxation assets/(liabilities): | | |
| At the beginning of the year | 221 108 | 225 303 |
| Recovery to the income statement | 407 | 19 136 |
| Recovery directly in other comprehensive income | (31 321) | 33 575 |
| Acquisitions and disposals | (300) | (40 073) |
| Other | 737 | — |
| Exchange adjustments | 15 658 | (16 833) |
| **At the end of the year** | **206 289** | **221 108** |

Deferred taxation assets are recognised to the extent it is likely that profits will be available 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 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.

The SA Government announced on 31 March 2021 its intention to decrease the SA rate of corporation tax to 27% from 28% from 1 April 2022. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 28%.

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### 33. Other assets

| At 31 March<br>£'000 | 2021 | 2020^ |
|---|---|---|
| Gross other assets | 2 165 438 | 1 927 867 |
| Expected credit loss on amortised cost | — | (51) |
| **Net other assets** | **2 165 438** | **1 927 816** |
| Settlement debtors | 1 181 308 | 943 594 |
| Trading properties | 78 832 | 67 738 |
| Prepayments and accruals | 103 694 | 90 524 |
| Trading initial margin | 157 396 | 107 849 |
| Commodities | 28 523 | 80 454 |
| Building renovations in progress** | 28 878 | 10 003 |
| Finance lease receivables (refer to note 51) | 252 797 | 322 211 |
| Fee debtors | 4 915 | 5 564 |
| Other* | 329 095 | 299 879 |
| | **2 165 438** | **1 927 816** |

^ Restated as detailed in note 62 on pages 141 and 142.

* Included in other is proceeds on disposal of interests in associated undertakings and joint venture holdings £33.4 million (2020: £ni).
** Previously included in prepayments and accruals.

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### 34. 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 | 176 893 | 154 952 | 78 702 | 23 953 | 76 907 | 7 210 | 518 617 |
| Exchange adjustments | 2 939 | (475) | (2 794) | 45 | 2 984 | (113) | 2 586 |
| Additions | — | 6 737 | 1 338 | 792 | 4 949 | 56 | 13 872 |
| Disposals | — | (9 831) | (8 916) | (302) | (2 895) | (1 432) | (23 376) |
| Write-offs^ | — | (158) | — | (1 721) | (26 644) | — | (28 523) |
| Reclassifications^^ | (39 045) | (1 014) | 17 108 | (6 523) | 1 401 | — | (28 073) |
| **At the end of the year** | **140 787** | **150 211** | **85 438** | **16 244** | **56 702** | **5 721** | **455 103** |
| **Accumulated depreciation** | | | | | | | |
| At the beginning of the year | (17 279) | (18 799) | (27 143) | (17 544) | (75 230) | (6 049) | (162 044) |
| Exchange adjustments | 2 939 | 612 | (513) | (84) | 2 928 | 77 | 5 959 |
| Disposals | — | 3 940 | 8 224 | 370 | 2 391 | 1 396 | 16 321 |
| Depreciation | (3 807) | (18 688) | (6 709) | (1 014) | (11 082) | (663) | (41 963) |
| Write-offs^ | — | 158 | — | 1 721 | 26 644 | — | 28 523 |
| Reclassifications^^ | 4 377 | 140 | 1 475 | 6 974 | 15 107 | — | 28 073 |
| **At the end of the year** | **(13 770)** | **(32 637)** | **(24 666)** | **(9 577)** | **(39 242)** | **(5 239)** | **(125 131)** |
| **Net carrying value** | **127 017** | **117 574** | **60 772** | **6 667** | **17 460** | **482** | **329 972** |
| **2020** | | | | | | | |
| **Cost** | | | | | | | |
| At the beginning of the year | 183 065 | — | 78 285 | 25 346 | 87 592 | 10 208 | 384 496 |
| Exchange adjustments | (6 418) | 10 | 1 590 | 9 | (6 341) | — | (11 150) |
| Additions | 246 | 256 379 | 16 960 | 847 | 12 005 | 184 | 286 621 |
| Disposals | — | (3 437) | (1 603) | (817) | (5 351) | (3 182) | (14 390) |
| Demerger of asset management | — | (98 000) | (16 329) | (1 432) | (10 998) | — | (126 759) |
| Write-off of mining rights | — | — | (201) | — | — | — | (201) |
| **At the end of the year** | **176 893** | **154 952** | **78 702** | **23 953** | **76 907** | **7 210** | **518 617** |
| **Accumulated depreciation** | | | | | | | |
| At the beginning of the year | (6 569) | — | (23 136) | (16 766) | (68 704) | (7 671) | (122 846) |
| Exchange adjustments | (6 387) | (467) | 348 | (16) | (6 347) | — | (12 869) |
| Disposals | — | 1 166 | 1 872 | 382 | 5 019 | 3 029 | 11 468 |
| Demerger of asset management | — | 9 197 | 1 111 | 670 | 7 761 | — | 18 739 |
| Depreciation charge for year – continuing operations | (4 323) | (19 044) | (7 078) | (1 614) | (11 318) | (1 407) | (44 784) |
| Depreciation charge for year – discontinued operations | — | (9 651) | (260) | (200) | (1 641) | — | (11 752) |
| **At the end of the year** | **(17 279)** | **(18 799)** | **(27 143)** | **(17 544)** | **(75 230)** | **(6 049)** | **(162 044)** |
| **Net carrying value** | **159 614** | **136 153** | **51 559** | **6 409** | **1 677** | **1 161** | **356 573** |

* Right-of-use assets primarily comprises property leases under IFRS 16.
** On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been included in operating costs in the income statement.
^ Fully depreciated assets with a net book value of zero were written off during the year.
^^ During the current year, assets were reclassified between the property and equipment classes.

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### 35. Investment properties

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| At the beginning of the year | 863 864 | 994 645 |
| Additions | 7 568 | 91 285 |
| Disposals | (71 036) | (27 313) |
| Fair value movement | (46 736) | (31 545) |
| Reclassifications* | 7 197 | (7 040) |
| Exchange adjustments | 71 204 | (156 168) |
| **At the end of the year** | **832 061** | **863 864** |

* Reclassifications of £11.3 million from non-current assets classified as held for sale (2020: £58.9 million to non-current assets classified as held for sale) and a reclassification of £4.1 million to trading properties (2020: £51.9 million from trading properties) as there was a change in use of the property.

For total gains and losses on investment properties recognised in the income statement, refer to note 4.

Non-current assets held for sale comprises of £10.9 million (2020: £58.9 million) of investment properties . These are excluded from the measurement scope of IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations and continue to be measured according to the fair value model. The majority of these properties are in the Group Investments business segment.

All investment properties are classified as level 3 in the fair value hierarchy.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate market-derived discount rate is applied to establish the present value of the income stream.

#### Valuation techniques used to derive level 3 fair values

The significant unobservable inputs used to derive the fair value measurements are those relating to the valuation of underlying investment properties. The table below includes the following definitions and relationship between the unobservable inputs and fair value measurement:

| Significant unobservable inputs | Definitions |
|---|---|
| Expected Rental Value (ERV) | The rent at which space could be let in the market conditions prevailing at the date of valuation. |
| Capitalisation rate (cap rate) | The rate of return that is expected to be generated on the real estate investment property. |
| Long-term vacancy rate | The ERV of the expected long-term average structural vacant space divided by the ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area. |

#### Level 3 valuations

| At 31 March 2021 Description | Average expected rental value per £/m$^2$ | Equivalent yield range | Weighted average cap rate | Long-term vacancy rates | Change in fair value (£'000) from a 0.25bp increase/ decrease in cap rate | Change in fair value (£'000) from a 5% increase/ decrease in expected rental value |
|---|---|---|---|---|---|---|
| Across South African sectors | 4.9 | 6.9% - 14.2% | 8.9% | 1.5% | 21 027 | 36 887 |
| SA Retail | 5.8 | 7.3% - 11.6% | 8.4% | 1.4% | 8 575 | 14 715 |
| SA Industrial | 2.7 | 6.9% - 14.2% | 9.7% | 1.3% | 4 219 | 8 197 |
| SA Office | 7.7 | 7.1% - 14.1% | 9.0% | 1.9% | 8 300 | 13 976 |

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## 35. Investment properties continued

| At 31 March 2020 Description | Average expected rental value per £/m2 | Equivalent yield range | Weighted average cap rate | Long-term vacancy rates | Change in FV (£'000) from a 0.25bp increase/ decrease in cap rate | Change in FV (£'000) from a 5% increase/ decrease in expected rental value |
|---|---|---|---|---|---|---|
| Across South African sectors | 4.7 | 6.7% - 14.1% | 9.0% | 1.1% | 19 734 | 35 254 |
| SA Retail | 5.5 | 7.2% - 11.8% | 8.4% | 0.8% | 7 522 | 13 400 |
| SA Industrial | 2.4 | 8.0% - 12.4% | 9.5% | 0.8% | 4 287 | 7 836 |
| SA Office | 8.2 | 7.5% - 12.0% | 9.4% | 1.7% | 7 929 | 14 018 |

## 36. Goodwill

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| **2021** | | |
| **Cost** | | |
| At the beginning of the year | 312 450 | 410 831 |
| Acquisitions | 11 | 477 |
| Demerger of asset management | — | (88 045) |
| Disposal of subsidiaries | (148) | (6 911) |
| Exchange adjustments | 1 116 | (3 902) |
| **At the end of the year** | **313 429** | **312 450** |
| **Accumulated impairment** | | |
| At the beginning of the year | (41 825) | (43 961) |
| Impairments | (11 599) | (145) |
| Exchange adjustments | (200) | 2 281 |
| **At the end of the year** | **(53 624)** | **(41 825)** |
| | | |
| **Net carrying values** | **259 805** | **270 625** |
| **Analysis of goodwill by line of business and geography:** | | |
| **UK and Other** | | |
| Wealth & Investment | 236 318 | 236 318 |
| Specialist Banking | 13 518 | 24 865 |
| | **249 836** | **261 183** |
| | | |
| **Southern Africa** | | |
| Wealth & Investment | 1 774 | 1 631 |
| Specialist Banking | 8 195 | 7 811 |
| | **9 969** | **9 442** |
| | **259 805** | **270 625** |

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.

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**36. Goodwill** continued

**UK and Other**

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For 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 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.

**Southern Africa**

Goodwill attributed to the South African operations relates to the Investec for Business and the Investec Wealth & Investment group.

The goodwill relating to Investec for Business has been identified as a separate cash-generating unit and has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecasts and discount rates to estimate the fair value. Discount rate applied of 3.50% (2020: 5.25%) is determined using the South African inter-bank lending rate, adjusted for business specific risk.

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.

The valuation of goodwill is a level 3 in the fair value hierarchy.

**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 2020 financial year, the goodwill of £88.0 million relating to Investec Asset Management was written off as part of the demerger which took place in March 2020, refer to note 38. Goodwill of £6.9 million was written off as part of the sale of the Ireland Wealth businesses during the prior year, refer to note 38.

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### 37. Software and other acquired 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 | 73 686 | — | 73 686 | — | 211 719 | 211 719 | 285 405 |
| Exchange adjustments | (351) | — | (351) | — | 728 | 728 | 377 |
| Additions | 2 480 | 1 702 | 4 182 | — | 2 021 | 2 021 | 6 203 |
| Disposals | (2 187) | — | (2 187) | — | (3 392) | (3 392) | (5 579) |
| Write-offs* | (24 088) | — | (24 088) | — | — | — | (24 088) |
| **At the end of the year** | **49 540** | **1 702** | **51 242** | **—** | **211 076** | **211 076** | **262 318** |
| **Accumulated amortisation and impairments** | | | | | | | |
| At the beginning of the year | (59 043) | — | (59 043) | — | (140 062) | (140 062) | (199 105) |
| Exchange adjustments | 101 | — | 101 | — | 724 | 724 | 825 |
| Disposals | 2 182 | — | 2 182 | — | 2 517 | 2 517 | 4 699 |
| Amortisation | (5 996) | — | (5 996) | — | (15 287)* | (15 287) | (21 283) |
| Write-offs* | 24 088 | — | 24 088 | — | — | — | 24 088 |
| **At the end of the year** | **(38 668)** | **—** | **(38 668)** | **—** | **(152 108)** | **(152 108)** | **(190 776)** |
| **Net carrying value** | **10 872** | **1 702** | **12 574** | **—** | **58 968** | **58 968** | **71 542** |
| **2020^** | | | | | | | |
| **Cost** | | | | | | | |
| At the beginning of the year | 71 480 | 2 103 | 73 583 | 592 | 212 309 | 212 901 | 286 484 |
| Exchange adjustments | (394) | — | (394) | — | (590) | (590) | (984) |
| Additions | 8 605 | — | 8 605 | — | — | — | 8 605 |
| Disposals | (6 005) | (2 103) | (8 108) | — | — | — | (8 108) |
| Write-off of internal software | — | — | — | (592) | — | (592) | (592) |
| **At the end of the year** | **73 686** | **—** | **73 686** | **—** | **211 719** | **211 719** | **285 405** |
| **Accumulated amortisation and impairments** | | | | | | | |
| At the beginning of the year | (56 433) | (1 261) | (57 694) | (592) | (120 961) | (121 553) | (179 247) |
| Exchange adjustments | (460) | — | (460) | — | (923) | (923) | (1 383) |
| Disposals | 3 536 | 1 090 | 4 626 | — | — | — | 4 626 |
| Amortisation | (8 037) | — | (8 037) | — | (15 656)* | (15 656) | (23 693) |
| Write-off of internal software | — | — | — | 592 | — | 592 | 592 |
| Reclassifications | 2 351 | 171 | 2 522 | — | (2 522) | (2 522) | — |
| **At the end of the year** | **(59 043)** | **—** | **(59 043)** | **—** | **(140 062)** | **(140 062)** | **(199 105)** |
| **Net carrying value** | **14 643** | **—** | **14 643** | **—** | **71 657** | **71 657** | **86 300** |

Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and Evolution Group in December 2011, Investec Capital Asia Limited in April 2011, NCB Group in June 2012 and Investec Import Solutions group in July 2015.

* Fully depreciated assets with a net book value of zero were written off during the year.

** Management contracts and client relationships are acquired intangibles. Amortisation of acquired intangibles as disclosed in the income statement £15.3 million (2020: £15.7 million).

^ Restated as detailed in note 62 on pages 141 and 142.

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## 38. Acquisitions and disposals and discontinued operations

There were no significant acquisitions of subsidiaries during the current and prior year.

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.

### Asset Management business

During the prior financial year on 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders.

| **Gain on loss of control of Ninety One** | **£'000** |
|---|---|
| The gains is calculated as follows: | |
| Fair value of the distributions | 697 854 |
| Investment in associate measured at fair value (including holdings by Investec staff share schemes) | 383 535 |
| Net asset value of Asset Management derecognised previously consolidated at 13 March 2020 (including Goodwill) | (228 710) |
| Non-controlling interest derecognised previously included in the consolidation of Asset Management at 13 March 2020 | 28 708 |
| Foreign currency translation reserve recycled to the income statement at 13 March 2020 | (13 980) |
| **Gain on the distribution of Ninety One shares (before tax)** | **867 407** |
| Implementation costs | (47 174) |
| **Gain on distribution of Ninety One shares (before tax)** | **820 233** |
| Taxation on gain | (14 405) |
| Related taxation | 592 |
| **Gain on distribution of Ninety One shares net of taxation and implementation costs** | **806 420** |

| **Major classes of assets and liabilities** | |
|---|---|
| Insurance related assets | 7 806 250 |
| Loans and advances to banks | 264 604 |
| Remaining assets (including goodwill) | 499 078 |
| Remaining liabilities | (8 341 222) |
| | **228 710** |

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**38. Acquisitions and disposals and discontinued operations** continued

The table below presents the income statement from discontinued operations (former Investec Asset Management business) included in the total group income statement for the year to 31 March 2020.

**Combined consolidated income statement of discontinued operations**

| | Year to 31 March 2020 | | |
|---|---|---|---|
| **£'000** | **UK and Other** | **Southern Africa** | **Total** |
| Net interest income | (2 235) | 3 962 | 1 727 |
| Net fee and commission income | 392 591 | 191 388 | 583 979 |
| Investment income | (2 042) | 35 | (2 007) |
| Trading income/(loss) arising from | | | |
| – balance sheet management and other trading activities | 1 634 | (76) | 1 558 |
| Other operating income | 4 697 | 745 | 5 442 |
| **Total operating income before expected credit loss impairment charges** | **394 645** | **196 054** | **590 699** |
| Expected credit loss impairment charges | — | — | — |
| **Operating income** | **394 645** | **196 054** | **590 699** |
| Operating costs | (285 542) | (115 398) | (400 940) |
| **Operating profit before strategic actions and non-controlling interests** | **109 103** | **80 656** | **189 759** |
| Profit attributable to non-controlling interests from discontinued operations | (18 106) | (11 241) | (29 347) |
| **Operating profit** | **90 997** | **69 415** | **160 412** |
| Gain on distribution net of implementation costs | 549 263 | 270 970 | 820 233 |
| **Profit before taxation** | **640 260** | **340 385** | **980 645** |
| Taxation on operating profit before strategic actions | (19 112) | (22 088) | (41 200) |
| Taxation on strategic actions | 1 253 | (15 066) | (13 813) |
| **Earnings attributable to shareholders from discontinued operations** | **622 401** | **303 231** | **925 632** |

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### 39. Long-term assurance business attributable to policyholders

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Liabilities to customers under investment contracts** | | |
| Investec Life Limited | 49 798 | 32 845 |
| Insurance liabilities, including unit-linked liabilities - Investec Life Limited | 2 607 | 2 382 |
| | **52 405** | **35 227** |
| The assets of the long-term assurance fund attributable to policyholders are detailed below: | | |
| Investments | 52 405 | 35 227 |
| | **52 405** | **35 227** |
| Investments shown above comprise: | | |
| Interest-bearing securities | 11 544 | 10 879 |
| Stocks, shares and unit trusts | 39 830 | 24 348 |
| Deposits | 1 031 | — |
| | **52 405** | **35 227** |

Assets related to the long-term assurance business attributable to policyholders are at fair value through profit and loss and are classified as level 1 in the fair value hierarchy.

### 40. Other trading liabilities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Deposits | 204 041 | 201 834 |
| Short positions | | |
| – Equities | 103 677 | 216 131 |
| – Gilts | 7 815 | 91 557 |
| – Bank debt securities | 10 656 | — |
| | **326 189** | **509 522** |

### 41. Debt securities in issue

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Repayable in:** | | |
| Less than three months | 27 995 | 47 299 |
| Three months to one year | 93 639 | 120 445 |
| One to five years | 1 726 091 | 1 320 376 |
| Greater than five years | 44 594 | 249 071 |
| | **1 892 319** | **1 737 191** |

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## 42. Other liabilities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Settlement liabilities | 797 844 | 1 018 415 |
| Other creditors and accruals | 589 632 | 499 642 |
| Lease liabilities | 396 132 | 488 849 |
| Other non-interest bearing liabilities | 161 923 | 155 006 |
| Rewards Programme liability | 33 106 | 29 077 |
| Long service employee benefits liability (refer to note 9) | 21 913 | 14 006 |
| Expected credit loss on off-balance sheet commitments and guarantees | 12 453 | 6 492 |
| | **2 013 003** | **2 211 487** |
| **Lease liabilities** | | |
| **Reconciliation from opening balance to closing balance:** | | |
| At the beginning of the year | 488 849 | — |
| Adoption of IFRS 16 | — | 597 002 |
| Interest | 13 632 | 18 358 |
| Additional leases | 5 276 | 47 109 |
| Disposals and modifications | (15 351) | (10 945) |
| Demerger of business | — | (99 576) |
| Repayment of lease liabilities | (69 051) | (75 101) |
| Exchange adjustments | (27 223) | 12 002 |
| **At the end of the year** | **396 132** | **488 849** |

| At 31 March<br>£'000 | 2021 | | 2020 | |
|---|---|---|---|---|
| **Lease liabilities included in other liabilities due in** | **Undiscounted payments** | **Present value** | Undiscounted payments | Present value |
| Less than one year | 60 309 | 57 580 | 71 876 | 66 804 |
| One to five years | 324 514 | 286 522 | 259 259 | 230 962 |
| Later than five years | 54 664 | 52 030 | 227 077 | 192 931 |
| Exchange adjustment | — | — | — | (1 848) |
| | **439 487** | **396 132** | **558 212** | **488 849** |

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### 43. Pension commitments

| At 31 March<br>£'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 | 44 905 | 45 928 |
| **Net income statement charge in respect of pensions** | **44 905** | **45 975** |

During the prior year, the group completed the demerger transaction to incorporate Ninety One (previously Investec Asset Management) as an independent company (see note 38). 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 £19.3million and fair value plan assets of £18.0million. 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<br>£'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)** |

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## 44. Subordinated liabilities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Issued by Investec Bank plc** | | |
| Subordinated fixed rate medium-term notes at FVPL | 334 804 | 343 233 |
| Subordinated fixed rate re-set callable medium-term notes amortised cost | 436 677 | 443 798 |
| **Issued by Investec Bank Limited** | | |
| IV019 indexed rate subordinated unsecured callable bonds | 9 750 | 8 081 |
| IV019A indexed rate subordinated unsecured callable bonds | 18 522 | 16 878 |
| IV033 variable rate subordinated unsecured callable bonds | — | 7 178 |
| IV034 fixed rate subordinated unsecured callable bonds | — | 4 559 |
| IV035 variable rate subordinated unsecured callable bonds | 72 096 | 66 268 |
| IV036 variable rate subordinated unsecured callable bonds | 1 572 | 1 445 |
| IV037 variable rate subordinated unsecured callable bonds | 87 193 | 91 012 |
| IV038 variable rate subordinated unsecured callable bonds | 17 189 | 15 800 |
| IV039 indexed rate subordinated unsecured callable bonds | 9 602 | 8 435 |
| IV040 variable rate subordinated unsecured callable bonds | 28 927 | 26 588 |
| IV041 fixed rate subordinated unsecured callable bonds | 9 331 | 8 577 |
| IV042 variable rate subordinated unsecured callable bonds | 2 456 | 2 257 |
| IV043 fixed rate subordinated unsecured callable bonds | 7 367 | 6 771 |
| IV044 variable rate subordinated unsecured callable bonds | 11 787 | 10 834 |
| IV045 indexed rate subordinated unsecured callable bonds | 93 980 | 82 252 |
| IV046 variable rate subordinated unsecured callable bonds | 58 934 | 54 170 |
| IV047 variable rate subordinated unsecured callable bonds | 78 293 | 82 091 |
| IV049 variable rate subordinated unsecured callable bonds | 47 983 | 50 235 |
| **Issued by Investec Limited** | | |
| INLV02 variable rate subordinated unsecured callable bonds | — | 12 459 |
| INLV03 variable rate subordinated unsecured callable bonds | — | 4 243 |
| INLV04 variable rate subordinated unsecured callable bonds | — | 11 511 |
| INLV07 variable rate subordinated unsecured callable bonds | 80 347 | — |
| INB001 variable rate subordinated unsecured callable bonds | 74 141 | 77 686 |
| | **1 480 951** | **1 436 361** |
| All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand | | |
| **Remaining maturity*:** | | |
| In one year or less, or on demand | 604 208 | 11 737 |
| In more than one year, but not more than two years | 331 447 | 625 417 |
| In more than two years, but not more than five years | 108 619 | 355 410 |
| In more than five years | 436 677 | 443 797 |
| | **1 480 951** | **1 436 361** |
| **Reconciliation from opening balance to closing balance:** | | |
| Opening balance | 1 436 361 | 1 647 271 |
| Issue of subordinated liabilities | 76 684 | — |
| Interest accrued on subordinated liabilities | 91 891 | 110 662 |
| Interest and effective interest rate adjustments capitalised to subordinated liabilities | (19 827) | (19 755) |
| Repayment of interest | (73 412) | (90 055) |
| Transfer of interest accrued to other liabilities at the end of the year | 4 715 | 4 526 |
| Transfer of interest accrued to other liabilities at the beginning of the year | (3 295) | (5 378) |
| Redemption of subordinated liabilities | (41 482) | (169 028) |
| Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds adjustment | (47 758) | 73 898 |
| Exchange adjustments | 57 074 | (115 780) |
| **Closing balance** | **1 480 951** | **1 436 361** |

* Maturities have been determined using the date on which the company is able to call the bonds.

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.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

**44. Subordinated liabilities** continued

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

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

**Subordinated fixed rate reset callable medium-term notes (denominated in Pound Sterling)**

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

IV019 indexed rate subordinated unsecured callable bonds

R199 million (2020: R179 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R377 million (2020: R374 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV033 variable rate subordinated unsecured callable bonds

Rnil (2020: R159 million) Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualif1ication or from 11 February 2021. These notes were repaid in the current year.

IV034 fixed rate subordinated unsecured callable bonds

Rnil (2020: R101 million) Investec Bank Limited IV034 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable semi-annually on 11 February and 11 August at a rate equal to 12.47% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021.These notes were repaid in the current year.

IV035 variable rate subordinated unsecured callable bonds

R1 468 million Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

IV036 variable rate subordinated unsecured callable bonds

R32 million Investec Bank Limited IV036 locally registered subordinated unsecured callable bonds are due in April 2026. Interest is payable quarterly on 22 April, 22 July, 22 October and 22 January at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 22 July 2026. The maturity date is 22 July 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 22 July 2021.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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**44. Subordinated liabilities** continued

**IV037 variable rate subordinated unsecured callable bonds**
$125 million Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds are due in October 2026 and were issued at an issue price of $91 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until; the 19 October 2021. If the issuer does not exercise the option to redeem the notes on 19 October 2021, then interest on the floating rate notes shall commence on 19 October 2021 and is payable quarterly on 19 January, 19 July, 19 April and 19 October at a rate equal to the three-month USD Libor plus 5.5% up to and excluding 19 October 2026. The maturity date is 19 October 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 19 October 2021.

**IV038 variable rate subordinated unsecured callable bonds**
R350 million Investec Bank Limited IV038 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 23 March, 23 June, 23 September and 23 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 23 September 2026. The maturity date is 23 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 23 September 2021.

**IV039 indexed rate subordinated unsecured callable bonds**
R196 million (2020: R187 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

**IV040 variable rate subordinated unsecured callable bonds**
R589 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

**IV041 fixed rate subordinated unsecured callable bonds**
R190 million Investec Bank Limited IV041 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

**IV042 variable rate subordinated unsecured callable bonds**
R50 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 18 February, 18 May, 18 August and 18 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 18 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

**IV043 fixed rate subordinated unsecured callable bonds**
R150 million Investec Bank Limited IV043 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

**IV044 variable rate subordinated unsecured callable bonds**
R240 million Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.15% up to and excluding 18 November 2026. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

**IV045 indexed rate subordinated unsecured callable bonds**
R1 914 million (2020: R1 822 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

**IV046 variable rate subordinated unsecured callable bonds**
R1 200 million Investec Bank Limited IV046 locally registered subordinated unsecured callable bonds are due in June 2027. Interest is payable quarterly on 21 September, 21 December, 21 March and 21 June at a rate equal to the three-month JIBAR plus 3.90%. The maturity date is 21 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 June 2022.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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**44. Subordinated liabilities** continued

**IV047 variable rate subordinated unsecured callable bonds**

$116 million Investec Bank Limited IV047 locally registered subordinated unsecured Tier II callable bonds are due in June 2027 and were issued at an issue price of $86 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 30 June 2022. The implied zero coupon yield is 5.915966% nacq (ACT/360) up until; the 30 June 2022. If the issuer does not exercise the option to redeem the notes on 30 June 2022, then interest on the floating rate notes shall commence on 30 June 2022 and is payable quarterly on 30 September, 30 December, 30 June at a rate equal to the three-month USD LIBOR plus 4.5% up to and excluding 30 June 2027. The maturity date is 30 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 30 June 2022.

**IV049 variable rate subordinated unsecured callable bonds**

R977 million (2020: R1 113 million) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in 4 December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2023.

**INLV02 variable rate subordinated unsecured callable bonds**

Rnil (2020: R276 million) Investec Limited INVL02 locally registered subordinated unsecured callable bonds are due in October 2025. Interest is payable quarterly on 20 January, 20 April, 20 July and 20 October at a rate equal to the three-month JIBAR plus 3.7% up to and excluding 20 October 2025. The maturity date is 20 October 2025, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 October 2020. These notes were repaid in the current year.

**INLV03 variable rate subordinated unsecured callable bonds**

Rnil (2020: R94 million) INVL03 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.35% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021. These notes were repaid in the current year.

**INLV04 variable rate subordinated unsecured callable bonds**

Rnil (2020: R255 million) Investec Limited INVL04 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to 12.77% up to and excluding 7 April 2027. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021. These notes were repaid in the current year.

**INLV07 variable rate subordinated unsecured callable bonds**

R1 636 million (2020: Rnil) Investec Bank Limited issued INLV07 subordinated unsecured floating rate notes 9 March 2021. Interest is payable quarterly on 9 March, 9 June, 9 September and 9 December at a rate equal to the three-month JIBAR plus 2.60%. The maturity date is 9 March 2031 but the issuer has the option to redeem on 9 March 2026 and on each interest payment date thereafter.

**INB001 variable rate subordinated unsecured callable bonds**

$113 million Investec Limited INB001 locally registered subordinated unsecured Tier II callable bonds are due in December 2027 and were issued at an issue price of $84 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 28 December 2022. The implied zero coupon yield is 5.86482% nacq (ACT/360) up until; the 28 December 2022. If the issuer does not exercise the option to redeem the notes on 28 December 2022, then interest on the floating rate notes shall commence on 28 December 2022 and is payable quarterly on 28 March, 28 June, 28 September, 28 December at a rate equal to the three-month USD Libor plus 4% up to and excluding 28 December 2027. The maturity date is 28 December 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 28 December 2022.

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## 45. Ordinary share capital

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Investec plc** | | |
| 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 ANNUAL FINANCIAL STATEMENTS
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## 45. Ordinary share capital continued

| At 31 March | 2021 | 2020 |
|---|---|---|
| **Investec Limited** | | |
| **Authorised** | | |
| The authorised share capital of Investec Limited is R1 960 002 (2020: R1 960 002), comprising 450 000 000 (2020: 450 000 000) ordinary shares of R0.0002 each, 48 091 681 (2020: 48 091 681) redeemable, non-participating preference shares with a par value of R0.01 each, 408 319 (2020: 408 319) class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2020: 1 500 000) Class ILRP2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2020: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2020: 50 000) variable rate redeemable cumulative preference shares of R0.60 each, 100 000 000 (2020: 100 000 000) non-redeemable,non-cumulative, non-participating preference shares of R0.01 each, 1 (2020: 1) Dividend Access (South African resident) redeemable preference share of R1.00, 1 (2020: 1) Dividend Access (non-South African resident) redeemable preference share of R1.00, 700 000 000 (2020: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares). | | |
| **Issued, allotted and fully paid** | | |
| **Number of ordinary 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 ordinary shares** | **£'000** | **£'000** |
| At the beginning of the year | 46 | 46 |
| Issued during the year | * | * |
| **At the end of the year** | **46** | **46** |
| **Number of special converting 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 special converting shares** | **£'000** | **£'000** |
| At the beginning of the year | 5 | 5 |
| Issued during the year | * | * |
| **At the end of the year** | **5** | **5** |
| **Number of SA DAN shares** | **Number** | **Number** |
| At the beginning and end of the year | **1** | **1** |
| **Nominal value of SA DAS 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 SA DAS share** | **£'000** | **£'000** |
| At the beginning and end of the year | * | * |
| **Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited** | **Number** | **Number** |
| Total called up share capital | 253 | 253 |
| Less: held by Investec Limited | (2) | (2) |
| Less: held by Investec plc | (4) | (4) |
| Total called up share capital | **247** | **247** |

* Less than £1 000.

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling: Rand exchange rates. In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 45. 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 is disclosed in note 8.

Movements in the number of share options issued to employees are as follows (each option is in respect of one share):

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Opening balance | 40 577 418 | 44 941 101 |
| Demerger of Investec Asset Management Limited | — | (1 701 349) |
| Issued during the year | 18 022 245 | 13 431 500 |
| Exercised | (10 201 045) | (13 003 747) |
| Forfeited | (1 116 728) | (3 090 087) |
| Lapsed | (643 444) | — |
| **Closing balance** | **46 638 446** | **40 577 418** |

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.

**The extent of the director's and staff interests in the incentive scheme is detailed on pages 178 to 186  and 193 to 195  in volume one.**

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### 46. Perpetual preference shares of holding company

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Perpetual preference share capital | 31 | 31 |
| Perpetual preference share premium | 174 022 | 168 487 |
| | **174 053** | **168 518** |
| **Issued by Investec Limited** | | |
| 30 756 461 (2020: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums: | | |
| – Perpetual preference share capital | 2 | 2 |
| – Perpetual preference share premium | 149 257 | 143 722 |
| Perpetual preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the perpetual preference shares. | | |
| An ordinary dividend will not be declared by Investec Limited 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 Limited 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** | | |
| 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 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. | | |
| | **174 053** | **168 518** |

* Less than £1 000.

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### 47. Share premium

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Share premium – Investec plc | 988 637 | 988 637 |
| Share premium – Investec Limited | 529 215 | 529 215 |
| | **1 517 852** | **1 517 852** |

### 48. Treasury shares

| At 31 March | 2021 | 2020 |
|---|---|---|
| | **£'000** | **£'000** |
| Treasury shares held by subsidiaries of Investec Limited and Investec plc | 267 508 | 272 881 |
| | **Number** | **Number** |
| Investec plc ordinary shares held by subsidiaries | 41 576 257 | 31 744 014 |
| Investec Limited ordinary shares held by subsidiaries | 48 832 795 | 51 026 675 |
| **Investec plc and Investec Limited shares held by subsidiaries** | **90 409 052** | **82 770 689** |
| **Reconciliation of treasury shares** | **Number** | **Number** |
| At the beginning of the year | 82 770 689 | 51 325 272 |
| Purchase of own shares by subsidiary companies | 37 919 469 | 56 121 890 |
| Shares disposed of by subsidiaries | (30 281 106) | (24 676 473) |
| **At the end of the year** | **90 409 052** | **82 770 689** |
| **Market value of treasury shares** | **£'000** | **£'000** |
| Investec plc | 91 509 | 48 219 |
| Investec Limited | 107 481 | 77 510 |
| | **198 990** | **125 729** |

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## 49. Other Additional Tier 1 securities in issue

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Issued by Investec Limited** | | |
| R550 million Other Additional Tier 1 floating rate notes pay interest quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the ZAR-JIBAR-SAFEX. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter. The interest is payable at the option of the issuer. | 27 012 | 24 827 |
| Investec Limited issued R350 million Other Additional Tier 1 floating rate notes on 15 March 2018. Interest is payable quarterly on 22 March, 22 June, 22 September and 22 December at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer. | 17 189 | 15 800 |
| Investec Limited issued R128 million and R45 million and R100 million Other Additional Tier 1 floating rate notes on 22 October 2020 and 25 November 2020 and 15 December 2020. Interest is payable quarterly on 22 January, 22 April, 22 July and 22 October at a rate equal to the three-month JIBAR plus 4.85%. There is no maturity date but the issuer has the option to redeem on 22 January 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer. | 13 408 | — |
| **Issued by Investec Limited subsidiary** | | |
| Investec Bank Limited issued R93 million and R17 million Other Additional Tier 1 floating rate notes on 26 March 2019 and 29 March 2019 respectively. Interest is payable quarterly on 26 June, 26 September, 26 December and 26 March at a rate equal to the three-month JIBAR plus 4.55%. There is no maturity date but the issuer has the option to redeem on the 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer. | 5 402 | 4 966 |
| Investec Bank Limited issued R450 million Other Additional Tier 1 floating rate notes on 12 March 2021. Interest is payable quarterly on 12 March, 12 June, 12 September and 12 December at a rate equal to the three-month JIBAR plus 4.80%. There is no maturity date but the issuer has the option to redeem on 12 June 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer. | 22 100 | — |
| **Issued by Investec plc** | | |
| On 5 October 2017, the Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities ('AT1 securities') at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment day, the company can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the investors will lose their entire investment in the securities should the Common Equity Tier 1 capital ratio of the Investec plc group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of the company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA. | 250 000 | 250 000 |
| | **335 111** | **295 593** |

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## 50. Non-controlling interests

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| Perpetual preference shares issued by Investec Bank Limited | 72 750 | 69 259 |
| Non-controlling interests in partially held subsidiaries | 495 585 | 501 957 |
| | **568 335** | **571 216** |
| **Perpetual preferred securities issued by subsidiaries** | | |
| **Issued by an Investec Limited subsidiary** | 72 750 | 69 259 |
| 14 917 559 (2020: 15 447 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums. | | |
| Perpetual preference shareholders will be entitled to receive dividends, if declared, at a rate of 83.33% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held. | | |
| Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares. | | |
| An ordinary dividend will not be declared by Investec Bank Limited 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 Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively. | | |
| | **72 750** | **69 259** |

The following table summarises the information relating to the group's partially held subsidiaries which have material non-controlling interests:

| | Investec Property Fund Limited** | | Investec Asset Management Holdings (Pty) Ltd* | | Investec Asset Management Limited* | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Non-controlling interests (NCI) (%) | 75.7% | 75.7% | — | — | — | — |
| **Summarised financial information £'000** | | | | | | |
| Total assets | 1 235 062 | 1 348 171 | — | — | — | — |
| Total liabilities | 577 039 | 686 177 | — | — | — | — |
| Revenue | 68 787 | 96 300 | — | 196 054 | — | 394 645 |
| (Loss)/Profit after taxation | (15 355) | 91 606 | — | 54 279 | — | 84 649 |
| Carrying amount of NCI | 499 434 | 498 590 | — | — | — | — |
| Dividends to NCI | 32 385 | 35 183 | — | 15 419 | — | 20 908 |
| Profit allocated to NCI | 698 | 67 090 | — | 11 241 | — | 18 106 |
| Loss attributable to NCI relating to impairments of associates | (9 126) | — | — | — | — | — |

* On 13 March 2020, the group successfully completed the demerger of Ninety One (formerly known as Investec Asset Management), which became separately listed on 16 March 2020. The loss of control of Investec Asset Management was effected through the distribution of Ninety One shares to shareholders. Further details relating to the demerger are provided on note 38.

** Investec Property Fund Limited (IPF) is a subsidiary of Investec Limited.

In the prior year, the reduction in the shareholding of IPF is as a result of the group not participating in a share issue and is reflected in the statement of changes in equity as line item," Movement in non-controlling interests due to share issues in subsidiary".

The net cash flows in these partially held subsidiaries arising during the current and prior period relate to operating activities. Other than payments of dividends there are no material cash flows arising from financing or investing activities.

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.

Net equity impact of non-controlling interests totalling £3.7 million in the statement of changes in equity relates to changes in holding without a change in control of subsdiaries within the Investec Properties group.

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### 51. 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 | 339 519 | 289 175 | 332 026 | 275 152 |
| One to five years | 436 953 | 387 755 | 507 561 | 447 258 |
| Later than five years | 5 650 | 5 229 | 5 015 | 4 684 |
| | **782 122** | **682 159** | **844 602** | **727 094** |
| Unearned finance income | (99 963) | | (117 508) | |
| **Net investment in lease** | **682 159** | | **727 094** | |

At 31 March 2021, unguaranteed residual values accruing to the benefit of Investec 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 undiscounted cash flows | 2021 Present value | 2020 Total future undiscounted cash flows | 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 | 251 378 | 209 053 | 182 472 | 162 389 |
| Later than five years | 2 183 | 2 148 | 149 367 | 110 557 |
| **Total undiscounted lease payments receivable** | **294 009** | **252 797** | **383 578** | **322 211** |
| Unearned finance income | (41 212) | | (61 367) | |
| **Net investment in lease** | **252 797** | | **322 211** | |

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## 52. Notes to cash flow statement

| At 31 March<br>£'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 | 331 569 | 1 320 472 |
| Adjustment for non-cash items and other required adjustments included in net income before taxation: | | |
| Impairment of goodwill | 11 599 | 145 |
| Amortisation of acquired intangibles | 15 287 | 15 656 |
| Amortisation of acquired intangibles of associates | 9 268 | 448 |
| Net gain on distribution and disposal of group operations | — | (840 568) |
| Net gain on deconsolidation, disposal of subsidiaries | (32 936) | — |
| Depreciation, amortisation and impairment of property, equipment, intangibles and software | 47 959 | 64 573 |
| Expected credit loss impairment charges | 99 438 | 133 301 |
| Impairment of associate and joint venture holdings | 16 773 | 45 400 |
| Share of post-taxation profit of associates and joint venture holdings | (42 459) | (27 244) |
| Dividends received from associates and joint venture holdings | 20 191 | 3 124 |
| Share-based payment charges and employee benefit liability recognised | 42 763 | 60 087 |
| | **519 452** | **775 394** |
| **Decrease/(increase) in operating assets** | | |
| Loans and advances to banks | 53 107 | (156 029) |
| Reverse repurchase agreements and cash collateral on securities borrowed | 329 671 | (1 593 357) |
| Sovereign debt securities | 700 599 | (323 557) |
| Bank debt securities | (451 818) | 20 686 |
| Other debt securities | 124 765 | (345 489) |
| Derivative financial instruments | 404 101 | (1 210 555) |
| Securities arising from trading activities | (254 476) | 688 692 |
| Investment portfolio | 180 088 | (198 603) |
| Loans and advances to customers | (559 273) | (2 516 465) |
| Other loans and advances | | |
| Securitised assets | (49 568) | 20 259 |
| Other assets | (126 305) | (407 803) |
| Investment properties | 99 342 | (23 381) |
| Assurance assets | (13 525) | 376 640 |
| Non-current assets classified as held for sale | (239) | (69 473) |
| | **436 469** | **(5 738 435)** |
| **(Decrease)/increase in operating liabilities** | | |
| Deposits by banks | (1 223 949) | 861 122 |
| Derivative financial instruments | (68 619) | 1 091 919 |
| Other trading liabilities | (210 961) | (93 240) |
| Repurchase agreements and cash collateral on securities lent | (659 532) | 686 019 |
| Customer accounts (deposits) | 810 167 | 3 798 208 |
| Debt securities in issue | 127 375 | (1 274 855) |
| Securitised liabilities | 71 286 | (4 175) |
| Other liabilities | (264 655) | 958 332 |
| Assurance liabilities | 13 525 | (377 806) |
| | **(1 405 363)** | **5 645 524** |

^ Restated as detailed in note 62 on pages 141 and 142.

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## 53. Commitments

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Undrawn facilities | 4 965 406 | 3 847 088 |
| Other commitments | 60 212 | 101 016 |
| | **5 025 618** | **3 948 104** |

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<br>£'000 | 2021 | 2020^ | 2021 | 2020^ |
| **Pledged assets** | | | | |
| Other loans and advances | 4 628 | 29 513 | 3 718 | 23 584 |
| Loans and advances to customers | 261 496 | 306 768 | 123 702 | 251 202 |
| Loans and advances to banks | 85 003 | 484 742 | 70 802 | 390 636 |
| Sovereign debt securities | 731 958 | 1 373 191 | 642 414 | 1 193 976 |
| Bank debt securities | 73 588 | 46 561 | 72 092 | 42 116 |
| Other debt securities | 138 898 | 393 244 | 123 963 | 350 439 |
| Securities arising from trading activities | 116 577 | 227 693 | 114 068 | 222 930 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 321 343 | 109 434 | 287 807 | 100 365 |
| | **1 733 491** | **2 971 146** | **1 438 566** | **2 575 248** |

^ Restated as detailed in note 62 on pages 141 and 142.

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.

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## 54. Contingent liabilities

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| Guarantees and assets pledged as collateral security: | | |
| Guarantees and irrevocable letters of credit | 1 365 097 | 1 333 669 |
| | **1 365 097** | **1 333 669** |

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 Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

**Financial Services Compensation Scheme**
The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amount or timing of amount that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

**Legal proceedings**
The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. 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; whilst 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.

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## 55. Related party transactions

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Profit before taxation adjusted for non-cash items is derived as follows: Compensation of key management personnel** | | |
| Details of directors remuneration and interest in shares, including the disclosures required by IAS 24 Related Party Transactions and Compensation of Key Management Personnel, are disclosed in the remuneration report on pages 173 to 186 and 195 in volume one. | | |
| **Transactions, arrangements and agreements involving key management personnel:** | | |
| Transactions, arrangements and agreements with directors and connected persons and companies controlled by them, and with officers of the company, were as follows: | | |
| **Key management personnel and connected persons and companies controlled by them** | | |
| **Loans** | | |
| At the beginning of the year | 7 765 | 44 937 |
| Increase in loans | 3 610 | 5 255 |
| Decrease in loans* | (2 430) | (42 427) |
| Exchange adjustments | 1 | — |
| **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 | (11 989) | (36 037) |
| Increase in deposits | (10 549) | (2 068) |
| Decrease in deposits* | 8 307 | 26 116 |
| Exchange adjustments | — | 1 |
| **At the end of the year** | **(14 231)** | **(11 988)** |

* Decrease includes changes in leadership during the prior 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 transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

Where related parties have investment products (that may be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the group does not carry any exposure relating to these transactions (they are at client risk).

### Transactions with other related parties

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, on similar transactions to non-related entities on an arm's length basis.

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.

### Transactions with associates and joint venture holdings

| At 31 March<br>£'000 | 2021 | 2020 |
|---|---|---|
| **Amounts due from associates and joint venture holdings and their subsidiaries** | **512 926** | **573 286** |
| **Interest income from loans to associates and joint venture holdings** | **17 159** | **16 969** |
| **Interest expense from loans to associate and joint venture holdings** | **44** | **4 724** |

**55. Related party transactions** continued

For the year to 31 March 2021, the group received income from an associate in the group of £0.9million (2020: 0.9 million ) predominantly related to premises sublease income (which ceased during the year) and lease guarantee income. The group also has £5.7 million (2020: £nil) of customer accounts (deposits), derivative financial instruments valued at £0.6 million (2020: £nil) and a £0.5million receivable (2020: £nil) for this associate. In addition, a lease guarantee of £8.0 million (31 March 2021: £nil) has been provided by the group to this associate.

The above arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

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## 56. 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 | 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** | | | | | | | |
| Hedged assets | Interest rate swap | 4 330 351 | (93 098) | (89 418) | 9 220 | 90 406 | (7 813) |
| Hedged liabilities | Interest rate swap | 401 899 | (445) | (445) | (1 582) | 469 | 1 760 |
| | | **4 732 250** | **(93 543)** | **(89 863)** | **7 638** | **90 875** | **(6 053)** |
| **2020** | | | | | | | |
| Hedged assets | Interest rate swap | 4 251 516 | (150 774) | (146 729) | (111 389) | 146 459 | 111 143 |
| Hedged liabilities | Interest rate swap | 142 739 | 831 | 831 | (71) | (913) | (38) |
| | | **4 394 255** | **(149 943)** | **(145 898)** | **(111 460)** | **145 546** | **111 105** |

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

### Carrying amount of the hedged item

| At 31 March £'000 | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Sovereign debt securities | 1 359 339 | 1 428 143 |
| Bank debt securities | 178 375 | 235 685 |
| Other debt securities | 64 855 | 192 299 |
| 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 |

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## 56. Hedges continued

### Maturity analysis of hedged item

| At 31 March<br>£'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 |
|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | |
| **Assets – notionals** | | | | | | | |
| Sovereign debt securities | — | — | — | 119 284 | 318 870 | 831 489 | 1 269 643 |
| Bank debt securities | — | — | — | 24 556 | 186 429 | — | 210 985 |
| Other debt securities | — | — | — | 1 770 | 68 916 | 57 363 | 128 049 |
| 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** | | | | | | | |
| Customer accounts (deposits) | — | — | 35 004 | 2 000 | 5 710 | — | 42 714 |
| Debt securities in issue | — | — | — | — | 353 894 | 5 292 | 359 186 |
| **2020** | | | | | | | |
| **Assets – notionals** | | | | | | | |
| Sovereign debt securities | — | — | 480 037 | — | 179 072 | 788 491 | 1 447 600 |
| Bank debt securities | — | — | — | 4 920 | 244 352 | — | 249 272 |
| Other debt securities | — | — | 5 011 | 73 716 | 77 651 | 56 709 | 213 087 |
| 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 | 131 038 | 25 533 | 185 207 |
| **Liabilities – notionals** | | | | | | | |
| Customer accounts (deposits) | 33 300 | 12 775 | 3 235 | 29 300 | 58 888 | 3 711 | 141 209 |

Included within balance sheet management and other trading activities is £0.1 million gain (2020: £0.2 million gain) relating to hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

### Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates and foreign exchange rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

| At 31 March<br>£'000 | Description of financial instrument being hedged | Fair value of hedging instrument | Period cash flows are expected to occur and affect income statement |
|---|---|---|---|
| **2021** | | | |
| Cross-currency swap | Bonds | (42 580) | Three months |
| Forward exchange contracts | Dividends | 3 831 | Three months |
| **2020** | | | |
| Cross-currency swap | Bonds | (116 691) | Three months |
| Forward exchange contracts | Dividends | 3 521 | Three months |

Cash flow hedges are held to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement.

Realisations to the income statement for cash flow hedges of (£47.0 million) (2020: £14.0 million) are included in net interest income.

There are £3.8 million (2020: £3.5 million) accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

### 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<br>£'000 | Hedging investment fair value |
|---|---|
| **2021** | 145 |
| **2020** | 171 |

There was no ineffective portion recognised in the income statement in the current and the prior year.

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**57. Liquidity analysis of financial liabilities based on undiscounted cash flows**

| At 31 March<br>£'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 | 224 967 | 161 161 | 4 386 | 14 631 | 878 475 | 1 189 262 | 14 447 | 2 487 329 |
| Derivative financial instruments | 1 657 192 | 53 980 | 60 624 | 59 000 | 111 150 | 231 563 | 72 296 | 2 245 805 |
| – held for trading | 1 401 140 | — | — | — | — | — | — | 1 401 140 |
| – held for hedging risk | 256 052 | 53 980 | 60 624 | 59 000 | 111 150 | 231 563 | 72 296 | 844 665 |
| Other trading liabilities | 326 189 | — | — | — | — | — | — | 326 189 |
| Repurchase agreements and cash collateral on securities lent | 300 769 | 357 535 | 82 554 | 1 930 | 178 251 | 39 405 | 101 894 | 1 062 338 |
| Customer accounts (deposits) | 14 388 643 | 2 760 284 | 6 023 899 | 4 502 436 | 3 128 094 | 4 026 100 | 252 760 | 35 082 216 |
| Debt securities in issue | 1 194 | 9 375 | 88 591 | 84 557 | 154 014 | 1 598 455 | 46 877 | 1 983 063 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | 4 771 | 3 457 | 4 872 | 1 676 | 167 939 | 182 715 |
| Liabilities arising on securitisation of other assets | — | — | 2 348 | 2 178 | 4 256 | 31 307 | 85 503 | 125 592 |
| Other liabilities* | 394 382 | 526 618 | 417 646 | 97 978 | 126 687 | 376 450 | 107 710 | 2 047 471 |
| Subordinated liabilities | 39 | 1 839 | 3 777 | 24 485 | 682 477 | 546 550 | 473 550 | 1 732 717 |
| **Total on balance sheet liabilities** | **17 293 375** | **3 870 792** | **6 688 596** | **4 790 652** | **5 268 276** | **8 040 768** | **1 322 976** | **47 275 435** |
| Contingent liabilities | 182 476 | 31 293 | 27 827 | 130 047 | 332 682 | 608 079 | 104 661 | 1 417 065 |
| Commitments | 473 178 | 220 090 | 443 978 | 180 377 | 313 752 | 1 777 697 | 1 777 051 | 5 186 123 |
| **Total liabilities** | **17 949 029** | **4 122 175** | **7 160 401** | **5 101 076** | **5 914 710** | **10 426 544** | **3 204 688** | **53 878 623** |

* Included within other liabilities are £840.8 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 refer to pages 71 to 74 of volume 2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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### 57. Liquidity analysis of financial liabilities based on undiscounted cash flows continued

| At 31 March<br>£'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** | 81 687 | 62 226 | 52 484 | 197 787 | 92 230 | 3 130 123 | 18 583 | 3 635 120 |
| Derivative financial instruments | 1 364 214 | 117 370 | 198 561 | 111 822 | 116 493 | 234 478 | 67 321 | 2 210 259 |
| – held for trading | 1 126 753 | — | — | — | — | — | — | 1 126 753 |
| – held for hedging risk | 237 461 | 117 370 | 198 561 | 111 822 | 116 493 | 234 478 | 67 321 | 1 083 506 |
| Other trading liabilities | 509 524 | — | — | — | — | — | — | 509 524 |
| Repurchase agreements and cash collateral on securities lent** | 169 223 | 322 265 | 934 691 | 11 894 | 3 818 | 91 947 | 101 011 | 1 634 849 |
| Customer accounts (deposits)** | 12 706 516 | 2 416 618 | 4 534 132 | 4 762 965 | 3 248 574 | 4 629 530 | 600 722 | 32 899 057 |
| Debt securities in issue** | — | 15 748 | 39 950 | 20 387 | 149 886 | 1 442 575 | 249 331 | 1 917 877 |
| Liabilities arising on securitisation of own originated loans and advances | — | 13 | 660 | 2 367 | 2 366 | 17 361 | 58 007 | 80 774 |
| Liabilities arising on securitisation of other assets | — | — | 3 305 | 3 197 | 6 120 | 40 159 | 77 075 | 129 856 |
| Other liabilities* | 188 446 | 1 053 409 | 238 939 | 186 424 | 76 839 | 321 283 | 239 146 | 2 304 486 |
| Subordinated liabilities | 329 | 2 715 | 3 764 | 26 606 | 44 876 | 1 092 532 | 491 400 | 1 662 222 |
| **Total on balance sheet liabilities** | **15 019 939** | **3 990 364** | **6 006 486** | **5 323 449** | **3 741 202** | **10 999 988** | **1 902 596** | **46 984 024** |
| Contingent liabilities | 208 464 | 1 619 | 264 955 | 55 303 | 52 198 | 700 502 | 264 077 | 1 547 118 |
| Commitments | 472 619 | 9 315 | 381 667 | 152 056 | 204 311 | 1 472 754 | 1 396 038 | 4 088 760 |
| **Total liabilities** | **15 701 022** | **4 001 298** | **6 653 108** | **5 530 808** | **3 997 711** | **13 173 244** | **3 562 711** | **52 619 902** |

^ Restated as detailed in note 62 on pages 141 and 142.
* Included within other liabilities are £818.3 million of non-financial instruments scoped out of IFRS 9.
** In the prior year, contractual maturities on variable rate instruments were calculated for a period of three months post balance sheet due to uncertainty. The prior year has been updated to reflect the contractual maturity by applying the variable rate as at the reporting date.Included within other liabilities

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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### 58. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

| | | | Interest | |
|---|---|---|---|---|
| **At 31 March** | **Principal activity** | **Country of incorporation** | **2021** | 2020 |
| **Direct subsidiaries of Investec plc** | | | | |
| Investec 1 Limited | Investment holding | England and Wales | 100% | 100% |
| Investec Holding Company Limited | Investment holding | England and Wales | 100% | 100% |
| **Indirect subsidiaries of Investec plc** | | | | |
| Investec Asset Finance plc | Leasing company | England and Wales | 100% | 100% |
| Investec Bank plc | Banking institution | England and Wales | 100% | 100% |
| Investec Bank (Channel Islands) Limited | Banking institution | Guernsey | 100% | 100% |
| Investec Bank (Switzerland) AG | Banking institution and wealth manager | Switzerland | 100% | 100% |
| Investec Capital Asia Limited | Investment banking | Hong Kong | 100% | 100% |
| Investec Capital & Investments (Ireland) Limited | Financial services | Ireland | 100% | 100% |
| Investec Finance Limited | Debt issuer | England and Wales | 100% | 100% |
| Investec Group (UK) Limited | Holding company | England and Wales | 100% | 100% |
| Investec Group Investments (UK) Limited | Investment holding | England and Wales | 100% | 100% |
| Investec Holdings (Australia) Limited | Holding company | Australia | 100% | 100% |
| Investec Investments (UK) Limited | Investment holding | England and Wales | 100% | 100% |
| Investec Ireland Limited | Financial services | Ireland | 100% | 100% |
| Investec Securities (US) LLC | Financial services | USA | 100% | 100% |
| Investec Wealth & Investment Limited | Investment management services | England and Wales | 100% | 100% |
| Reichmans Geneva SA | Trading company | Switzerland | 100% | 100% |
| Rensburg Shepperd's plc | Holding company | England and Wales | 100% | 100% |

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 31.

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 147 to 151.

**Consolidated structured entities**

Investec plc has no equity interest in the following structured entities which are consolidated. Typically, a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

| Name of principal structured entity | Type of structured entity |
|---|---|
| Landmark Mortgage Securities No 2 plc | Securitised residential mortgages |
| Tamarin Securities Limited | Structured debt and loan portfolios |
| Temese Funding 2 Plc | Securitised receivables |
| Yorker Trust | Structured debt and loan portfolios |
| Cavern Funding 2020 Plc | Securitised Auto receivables |

For additional detail on the assets and liabilities arising on securitisation refer to note 30.

For details of the risks to which the group is exposed through all of its securitisations are included in volume 2 on pages 59 and 60.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 58. Principal subsidiaries, associated companies and joint venture holdings – Investec plc continued

### 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 88 to 96.

#### 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 30.

### 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 58. Principal subsidiaries, associated companies and joint venture holdings – Investec plc continued

| 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<br>£'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 loss | 204 |

| At 31 March 2020<br>£'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) |

The table below describes the types of structured entities that the group does not consolidate, but in which it holds an interest and original set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 33 to 45.

| 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 58. Principal subsidiaries, associated companies and joint venture holdings – Investec plc continued

| At 31 March 2021<br>£'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 Debt Securities | — | Limited to the carrying value | — | Net interest expense | — |
| | | | | | Investment loss | |
| | Other loans and advances | 627 | Limited to the carrying value | 1 583 | Net interest expense | — |

| At 31 March 2020<br>£'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.

**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 on pages 59 and 60 of volume 2.**

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

### 59. Principal subsidiaries, associated companies and joint venture holdings – Investec Limited

| | | | Interest | |
|---|---|---|---|---|
| **At 31 March** | **Principal activity** | **Country of incorporation** | **2021** | 2020 |
| **Material direct subsidiaries of Investec Limited** | | | | |
| Investec Bank Limited | Banking institution | South Africa | 100.0% | 100.0% |
| Investec Employee Benefits Holdings Proprietary Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Securities Proprietary Limited | Registered stockbroker | South Africa | 100.0% | 100.0% |
| Investec Property Group Holdings Proprietary Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Investments Proprietary Limited | Investment company | South Africa | 100.0% | 100.0% |
| Investec Specialist Investments (RF) Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Markets Proprietary Limited | Stockbroking | South Africa | 100.0% | 100.0% |
| **Material indirect subsidiaries of Investec Limited** | | | | |
| Investec Bank (Mauritius) Limited | Banking institution | Mauritius | 100.0% | 100.0% |
| Investec Property Proprietary Limited | Property trading | South Africa | 100.0% | 100.0% |
| Investec Life Limited | Long-term insurance | South Africa | 100.0% | 100.0% |
| Investec Property Fund Limited | Engage in long term immovable property investment | South Africa | 24.3% | 24.3% |

Details on associated companies and joint venture holdings refer to note 31.

The following subsidiary is not consolidated for regulatory purposes:

Investec Employee Benefits Holdings Proprietary Limited and its subsidiaries, including Investec Life Limited.

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

The group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding company, control over the management company and the impact this has on the beneficial returns. Any change in the holding in Investec Property Fund Limited would require a reassessment of the facts and circumstances.

#### Consolidated structured entities
Investec Limited has residual economic interests 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 |
|---|---|
| Fox Street 1 (RF) Limited | Securitised residential mortgages |
| Fox Street 2 (RF) Limited | Securitised residential mortgages |
| Fox Street 3 (RF) Limited | Securitised residential mortgages |
| Fox Street 4 (RF) Limited | Securitised residential mortgages |
| Fox Street 5 (RF) Limited | Securitised residential mortgages |
| Fox Street 6 (RF) Limited | Securitised residential mortgages |
| Fox Street 7 (RF) Limited | Securitised residential mortgages |
| Integer Home Loans Proprietary Limited | Securitised third party originated residential mortgages |
| Grayston Drive Autos (RF) Limited | Securitised vehicle instalment sale agreements |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

**59. Principal subsidiaries, associated companies and joint venture holdings – Investec Limited** 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 subordinated notes. 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.

### Securitised third party originated residential mortgages
The group has a senior and subordinated investment in a third party originated structured entity. This structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investments made.

### Securitised vehicle instalment sale agreements
The group has securitised vehicle instalment sale agreements in order to provide investors with exposure to vehicle instalment sale risk and to raise funding. The structured entity is consolidated due to the group's holdings of subordinated notes. 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 instalment sale agreements as those assets have not been derecognised.

### Interest in Wealth & Investment Funds
Management has concluded that the investment funds in the Wealth & Investment business do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other support. Support transactions with these funds are conventional customer-supply relationships.

For additional detail on the assets and liabilities arising on securitisation refer to note 30. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 59 and 60 in volume two.

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CONTINUED

## 60. Offsetting

| | Amounts subject to enforceable netting arrangements | | | | | |
|---|---|---|---|---|---|---|
| | Effects of offsetting on balance sheet | | | Related amounts not offset* | | |
| **At 31 March £'000** | **Gross amounts** | **Amounts offset** | **Net amounts reported on the balance sheet** | **Financial instruments (including non-cash collateral)** | **Cash collateral** | **Net amount** |
| **2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 3 517 100 | — | 3 517 100 | — | — | 3 517 100 |
| Loans and advances to banks | 3 252 195 | (552 878) | 2 699 317 | (14 496) | (124 649) | 2 560 172 |
| Non-sovereign and non-bank cash placements | 439 841 | — | 439 841 | — | — | 439 841 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 3 624 108 | (48 395) | 3 575 713 | (283 710) | (43 280) | 3 248 723 |
| Sovereign debt securities | 3 711 623 | — | 3 711 623 | (691 286) | — | 3 020 337 |
| Bank debt securities | 1 121 730 | — | 1 121 730 | (73 588) | — | 1 048 142 |
| Other debt securities | 1 364 235 | — | 1 364 235 | (138 898) | — | 1 225 337 |
| Derivative financial instruments | 1 940 113 | (225 370) | 1 714 743 | (299 446) | (644 115) | 771 182 |
| Securities arising from trading activities | 1 501 869 | (477 198) | 1 024 671 | (114 091) | — | 910 580 |
| Investment portfolio | 909 050 | — | 909 050 | — | — | 909 050 |
| Loans and advances to customers | 26 189 978 | (148 891) | 26 041 087 | — | — | 26 041 087 |
| Own originated loans and advances to customers securitised | 401 912 | — | 401 912 | — | — | 401 912 |
| Other loans and advances | 102 135 | — | 102 135 | — | (4 628) | 97 507 |
| Other securitised assets | 140 087 | — | 140 087 | — | — | 140 087 |
| Other assets | 2 165 438 | — | 2 165 438 | — | — | 2 165 438 |
| | **50 381 414** | **(1 452 732)** | **48 928 682** | **(1 615 515)** | **(816 672)** | **46 496 495** |
| **Liabilities** | | | | | | |
| Deposits by banks | 2 482 561 | (78 849) | 2 403 712 | — | (219 440) | 2 184 272 |
| Derivative financial instruments | 2 889 886 | (699 399) | 2 190 487 | (532 038) | (562 998) | 1 095 451 |
| Other trading liabilities | 326 189 | — | 326 189 | (25 830) | — | 300 359 |
| Repurchase agreements and cash collateral on securities lent | 1 051 707 | (48 395) | 1 003 312 | (854 233) | (4 551) | 144 528 |
| Customer accounts (deposits) | 34 598 321 | (148 891) | 34 449 430 | — | (29 336) | 34 420 094 |
| Debt securities in issue | 1 892 319 | — | 1 892 319 | (118 690) | (347) | 1 773 282 |
| Liabilities arising on securitisation of own originated loans and advances | 160 646 | — | 160 646 | — | — | 160 646 |
| Liabilities arising on securitisation of other assets | 108 281 | — | 108 281 | — | — | 108 281 |
| Other liabilities | 2 490 201 | (477 198) | 2 013 003 | — | — | 2 013 003 |
| Subordinated liabilities | 1 480 951 | — | 1 480 951 | — | — | 1 480 951 |
| | **47 481 062** | **(1 452 732)** | **46 028 330** | **(1 530 791)** | **(816 672)** | **43 680 867** |

* 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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 60. Offsetting continued

| At 31 March £'000 | Amounts subject to enforceable netting arrangements — Effects of offsetting on balance sheet: Gross amounts | Amounts offset | Net amounts reported on the balance sheet | Related amounts not offset*: Financial instruments (including non-cash collateral) | Cash collateral | Net amount |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2020^** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 3 932 048 | — | 3 932 048 | — | — | 3 932 048 |
| Loans and advances to banks | 3 339 005 | (672 154) | 2 666 851 | (13 702) | (469 858) | 2 183 291 |
| Non-sovereign and non-bank cash placements | 632 610 | — | 632 610 | — | — | 632 610 |
| Reverse repurchase agreements and cash collateral on securities borrowed^^ | 3 840 907 | (44 728) | 3 796 179 | (220 931) | (2 866) | 3 572 382 |
| Sovereign debt securities | 3 990 181 | — | 3 990 181 | (1 260 827) | — | 2 729 354 |
| Bank debt securities | 604 921 | — | 604 921 | (46 562) | — | 558 359 |
| Other debt securities | 1 430 419 | — | 1 430 419 | (105 506) | — | 1 324 913 |
| Derivative financial instruments | 2 678 641 | (644 642) | 2 033 999 | (358 904) | (516 290) | 1 158 805 |
| Securities arising from trading activities | 978 356 | (259 959) | 718 397 | (225 706) | — | 492 691 |
| Investment portfolio | 998 935 | — | 998 935 | — | (1 849) | 997 086 |
| Loans and advances to customers | 24 706 439 | (118 365) | 24 588 074 | — | — | 24 588 074 |
| Own originated loans and advances to customers securitised | 324 638 | — | 324 638 | — | — | 324 638 |
| Other loans and advances | 132 486 | — | 132 486 | — | (29 513) | 102 973 |
| Other securitised assets | 134 865 | — | 134 865 | — | — | 134 865 |
| Other assets | 1 927 816 | — | 1 927 816 | — | — | 1 927 816 |
| | **49 652 267** | **(1 739 848)** | **47 912 419** | **(2 232 138)** | **(1 020 376)** | **44 659 905** |
| **Liabilities** | | | | | | |
| Deposits by banks | 3 660 375 | (162 121) | 3 498 254 | — | (97 479) | 3 400 775 |
| Derivative financial instruments | 3 304 939 | (1 154 674) | 2 150 265 | (596 366) | (825 715) | 728 184 |
| Other trading liabilities | 509 522 | — | 509 522 | (112 630) | — | 396 892 |
| Repurchase agreements and cash collateral on securities lent^^ | 1 622 074 | (44 728) | 1 577 346 | (1 168 202) | (31 667) | 377 477 |
| Customer accounts (deposits) | 32 339 341 | (118 365) | 32 220 976 | — | (60 581) | 32 160 395 |
| Debt securities in issue | 1 737 191 | — | 1 737 191 | (216 831) | (3 084) | 1 517 276 |
| Liabilities arising on securitisation of own originated loans and advances | 76 696 | — | 76 696 | — | — | 76 696 |
| Liabilities arising on securitisation of other assets | 110 679 | | 110 679 | | | 110 679 |
| Other liabilities | 2 471 446 | (259 959) | 2 211 487 | — | (1 849) | 2 209 638 |
| Subordinated liabilities | 1 436 361 | — | 1 436 361 | — | — | 1 436 361 |
| | **47 268 624** | **(1 739 847)** | **45 528 777** | **(2 094 029)** | **(1 020 375)** | **42 414 373** |

^ Restated as detailed in note 62 on pages 141 and 142.
^^ An amount of £44.7 million was correctly offset on the balance sheet in the prior year and not disclosed. This has been correctly disclosed in the prior year.
* 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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 61. Derecognition

### Transfers 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.The associated liabilities represent the amount of external notes in issue.

| At 31 March<br>£'000 | 2021<br>Carrying amount of assets that are continued to be recognised | 2021<br>Carrying amount of associated liabilities | 2020<br>Carrying amount of assets that are continued to be recognised | 2020<br>Carrying amount of associated liabilities |
|---|---|---|---|---|
| **No derecognition achieved** | | | | |
| 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 in these vehicles and therefore the group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements see note 22.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 62. Restatements

### Income statement restatements

#### Interest income and fee and commission income restatement

During the year to 31 March 2021, management identified that revenue relating to services rendered to customers (for the facilitation of import and export transactions) was previously reported within interest income rather than within fee and commission income.

As a result, interest income and fee and commission income for the prior year have been restated. The restatement has no impact on total operating income in the income statement, earnings per share (basic and diluted), headline earnings, the statement of cash flows and the balance sheet.

The impact of the restatement on the 31 March 2020 income statement is:

| £'000 | Year to 31 March 2020 as previously reported | Reclassification | Year to 31 March 2020 restated |
|---|---|---|---|
| Interest income | 2 698 420 | (14 435) | 2 683 985 |
| Fee and commission income | 837 590 | 14 435 | 852 025 |

#### Depreciation on operating leased assets

Depreciation on operating leased assets of £0.6 million (31 March 2020: £1.4 million), which was previously reported as a separate line item on the income statement, has been included in operating costs.The prior year has been restated to reflect the same basis.

#### Amortisation of acquired intangibles of associates

Amortisation of acquired intangibles of associates of £9.3 million (31 March 2020: £0.5 million) was previously reported in the line item amortisation of acquired intangibles on the income statement. In the current year it has been reported on a separate line item on the income statement being amortisation of acquired intangibles of associates. The prior year has been restated to reflect the same basis.

### Balance sheet restatements

#### Current taxation assets and other assets

Current taxation assets of £60.3 million (31 March 2020: £6.6 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 £12.6 million (31 March 2020: £14.6 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 £174.1 million (31 March 2020: £168.5 million), which was previously reported within 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.

#### 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 on the 31 March 2020 and 31 March 2019 balance sheet is:

| £'000 | At 31 March 2020 as previously reported | Reclassification | At 31 March 2020 restated |
|---|---|---|---|
| **Assets** | | | |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 964 603 | 831 576 | 3 796 179 |
| Sovereign debt securities | 4 593 893 | (603 712) | 3 990 181 |
| Derivative financial instruments | 2 034 399 | (400) | 2 033 999 |
| Securities arising from trading activities | 1 044 445 | (326 048) | 718 397 |
| **Total assets** | **50 656 316** | **(98 584)** | **50 557 732** |
| **Liabilities** | | | |
| Derivative financial instruments | 2 248 849 | (98 584) | 2 150 265 |
| **Total liabilities** | **45 758 684** | **(98 584)** | **45 660 100** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 62. Restatements continued

| £'000 | At 31 March 2019 as previously reported | Reclassification | At 31 March 2019 restated |
|---|---|---|---|
| **Assets** | | | |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 768 748 | 660 017 | 2 428 765 |
| Sovereign debt securities | 4 538 223 | (318 798) | 4 219 425 |
| Derivative financial instruments | 1 034 166 | (326) | 1 033 840 |
| Securities arising from trading activities | 1 859 254 | (369 104) | 1 490 150 |
| **Total assets** | **57 724 212** | **(28 211)** | **57 696 001** |
| **Liabilities** | | | |
| Derivative financial instruments | 1 277 233 | (28 211) | 1 249 022 |
| **Total liabilities** | **707 692** | **(28 211)** | **679 481** |

### Cash flow statement restatements

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. In the prior year, non-cash flow items related to taxation was included in determining taxation paid. These amounts were corrected in the current year. Non-cash movements relating to the share based payments expense were previously reported net of cash and deferred tax movements, which have now been reported gross. These amounts have been corrected in the current year.

The prior year has been restated as follows:

| £'000 | Year to 31 March 2020 as previously reported | Restatement | Year to 31 March 2020 restated |
|---|---|---|---|
| Operating profit adjusted for non-cash and non-operating items | 761 906 | 13 488 | 775 394 |
| Taxation paid | (214 094) | 120 139 | (93 955) |
| (Increase)/decrease in operating assets | (5 795 856) | 57 421 | (5 738 435) |
| Increase in operating liabilities | 5 715 897 | (70 373) | 5 645 524 |
| Net cash inflow from operating activities | 467 853 | 120 675 | 588 528 |
| Net cash outflow from investing activities | (350 855) | — | (350 855) |
| Net cash outflow from financing activities | (603 247) | (13 488) | (616 735) |
| Effects of exchange rate changes on cash and cash equivalents | (435 149) | (18 783) | (453 932) |
| **Net (decrease)/increase in cash and cash equivalents** | **(921 398)** | **88 404** | **(832 994)** |
| Cash and cash equivalents at the beginning of the year | 7 115 106 | 814 418 | 7 929 524 |
| **Cash and cash equivalents at the end of the year** | **6 193 708** | **902 822** | **7 096 530** |

## 63. Events after the reporting period

The group owns a 47.4% stake in IEP and accounts for the investment as an interest in associated undertakings by using the equity accounted method. During the year, the group's share of profit attributable to ordinary shareholders and movements in other comprehensive income was equity accounted for at the 47.4% stake owned by the group. The IEP annual financial statements were completed and signed on 2 June 2021 and in the statement of changes in equity, a direct reduction of ordinary equity was identified of £42.4 million. The reduction mainly relates to the accounting for disposals and acquisitions of certain subsidiary entities' equity shares to and from non-controlling shareholders at agreed values. As a result, the excess purchase consideration above consolidated net asset values of the related subsidiaries is recognised as a direct debit against equity (which will be recycled to profit and loss on realisation of the subsidiary). As a result of these transactions, the Investec group had to account for its share in the reduction in equity by reducing the carrying value of IEP investment and by reducing equity by £20.1 million.

The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. 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.

## 64. Investec Limited parent company accounts

For regulatory compliance purposes the Investec Limited parent company accounts are presented in the Investec Limited Annual Financial Statements and audited by EY Inc and KPMG Inc as statutory auditors.

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

## Balance sheet

| At 31 March 2021<br>£'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** |

**The notes on pages 145 and 151 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

# INVESTEC PLC 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** |

INVESTEC PLC 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 securities measured at fair value with fair value movements presented in other comprehensive income**
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.

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

**Company's own profit and loss account**
The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

**Financial assets**
Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as loans and receivables or fair value through profit and loss.

**Financial liabilities**
Financial liabilities are recorded at amortised cost applying the effective interest rate method.

### b. Investments in subsidiary undertakings

| At 31 March<br>£'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 38 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 £50m 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 12 of the group financial statements.

**g. Share capital**
Details of the company's ordinary share capital are set out in note 45 of the group financial statements. Details of the perpetual preference shares are set out in note 46 of the group financial statements. Details of the Additional Tier 1 securities are set out in note 49 of the group financial statements.

**h. Audit opinion**
The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the combined consolidated Investec annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2021.

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## i. Subsidiaries

| At 31 March 2021 | Principal activity | Interest held |
|---|---|---|
| *Directly owned by Investec plc | | |
| **United Kingdom**<br>**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% |

# INVESTEC PLC 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**<br>**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% |

# INVESTEC PLC 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 | Dormant | 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% |

# INVESTEC PLC 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% |

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## i. Subsidiaries continued

| At 31 March 2021 | Principal activity | Interest held |
|---|---|---|
| **Switzerland<br>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<br>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 ventures holdings

| At 31 March 2021 | Principal activity | Interest held |
|---|---|---|
| **Australia<br>Registered office: Point Cook Road, Point Cook, Victoria, Australia** | | |
| Point Cook (Trust Project No 9) | Property development | 50% |
| **British Virgin Islands<br>Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands** | | |
| imarkets (Holdings) Limited | Online trading platform | 33% |
| **Luxembourg<br>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<br>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% |

# 02 Annexures

# 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. External auditors Ernst & Young Inc. performed a review of the pro-forma financial information and the opinion is available for inspection at the registered office of Investec upon request.

**Adjusted earnings attributable to ordinary shareholders**

Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional Tier 1 security holders.
Refer to note 11 on pages 67 to 69 for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders

**Adjusted earnings per share**

Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.
Refer to note 11 on pages 67 to 69 for calculation

**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 | 377 110 | 487 111 |
| Less: Profit attributable to other non-controlling interests | 472 | (67 952) |
| **Adjusted operating profit** | **377 582** | **419 159** |

**Adjusted operating profit per employee**

Adjusted operating profit divided by average total employees including permanent and temporary employees.
Refer to volume 1 on page 48 for calculation

**Annuity income**

Net interest income (refer to note 2 page 55 and 56) plus net annuity fees and commissions (refer to note 3 on page 57)

**Core loans**

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

| | UK and Other | | Southern Africa | | Total group | |
|---|---|---|---|---|---|---|
| £'million | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| Loans and advances to customers per the balance sheet | 12 336 | 11 872 | 13 705 | 12 716 | 26 041 | 24 588 |
| Add: own originated loans and advances to customers per the balance sheet | — | — | 402 | 325 | 402 | 325 |
| Add: ECL held against FVOCI loans reported on the balance sheet within reserves | (5) | (2) | — | — | (5) | (2) |
| **Net core loans** | **12 331** | **11 870** | **14 107** | **13 041** | **26 438** | **24 911** |
| of which subject to ECL* | 11 819 | 11 217 | 14 030 | 12 933 | 25 849 | 24 150 |
| Net core loans at amortised cost and FVOCI | 11 819 | 11 217 | 12 935 | 11 998 | 24 754 | 23 215 |
| Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^ | — | — | 1 095 | 935 | 1 095 | 935 |
| of which FVPL (excluding fixed rate loans above) | 512 | 653 | 77 | 108 | 589 | 761 |
| Add: ECL | 170 | 175 | 134 | 152 | 304 | 327 |
| **Gross core loans** | **12 501** | **12 045** | **14 241** | **13 193** | **26 742** | **25 238** |
| of which subject to ECL* | 11 989 | 11 392 | 14 164 | 13 085 | 26 153 | 24 477 |
| of which FVPL (excluding fixed rate loans above) | 512 | 653 | 77 | 108 | 589 | 761 |

^ These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. The drawn (£1.1 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2020: £0.9 billion). The ECL on the portfolio is £5.2 million (31 March 2020: £3.0 million).

* Includes portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis.

## ALTERNATIVE PERFORMANCE MEASURES
CONTINUED

| | |
|---|---|
| **Core loans to equity ratio** | Net core loans divided by total shareholders' equity per the balance sheet |
| **Cost to income ratio** | Refer to calculation in the table below: |

| £'000 | 31 March 2021 | 31 March 2020 |
|---|---|---|
| Operating costs (A) | 1 164 513 | 1 186 427 |
| Total operating income before expected credit losses | 1 641 061 | 1 806 839 |
| Less: Profit/loss attributable to other non-controlling interests | 472 | (67 952) |
| Total (B) | 1 641 533 | 1 738 887 |
| **Cost to income ratio (A/B)** | **70.9%** | **68.2%** |

| | |
|---|---|
| **Coverage ratio** | ECL as a percentage of gross core loans subject to ECL |
| **Credit loss ratio** | Annualised ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL |
| **Dividend payout ratio** | Ordinary dividend per share divided by adjusted earnings per share |
| **Gearing ratio** | Total assets excluding assurance 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 tangible asset value per share** | Refer to calculation on page 48 in volume 1 |
| **Net interest margin** | Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on pages 55 and 56 |
| **Return on average ordinary shareholders' equity (ROE)** | Refer to calculation on pages 43 to 45 in volume 1 |
| **Return on average tangible ordinary shareholders' equity** | Refer to calculation on pages 43 to 45 in volume 1 |
| **Return on risk-weighted assets** | Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pound Sterling) as reflected on page 48 in volume 1 |
| **Staff compensation to operating income ratio** | All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests) |

# DEFINITIONS

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

**Diluted earnings per share**
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.

Refer to pages 67 to 69 for the calculation of diluted earnings per share.

**Earnings per share**
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.

Refer to pages 67 to 69 for the calculation of earnings per share.

**Effective operational tax rate**
Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post-taxation profit of associates and joint venture holdings.

**Headline earnings per share**
Headline earnings is calculated in accordance with the JSE listing requirements and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants. Headline earnings per share calculated by dividing the group's headline earnings by the average number of shares which it had in issue during the accounting period.

Refer to pages 67 to 69 for the calculation of headline earnings per share.

**Interest-bearing liabilities**
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, liabilities arising on securitisation of own originated loans and advances, and finance lease liabilities. Refer to page 55 for calculation.

**Interest-earning assets**
Cash and near cash, bank debt securities, sovereign debt securities, core loans, other debt securities, other loans and advances, other securitised assets, and finance lease receivables. Refer to page 55 for calculation.

**Market capitalisation**
Total number of shares in issue (including Investec plc and Investec Limited) excluding treasury shares, multiplied by the closing share price of Investec plc on the London Stock Exchange.

**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.

**Strategic actions**
Comprises the closure and rundown of the Hong Kong direct investments business, the demerger of the asset management business and the financial impact of group restructures.

**Subject to ECL**
Includes financial assets held at amortised cost and FVOCI as well as designated at FVPL loan portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis.

**Total group**
Total group represents the group's results including the results of discontinued operations in the prior period.

**Weighted number of ordinary shares in issue**
The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on pages 67 to 69.

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AFS | Available for sale |
| AGM | Annual general meeting |
| ALCO | Asset and Liability Committee |
| ANC | African National Congress |
| AT1 | Additional Tier 1 |
| BCBS | Basel Committee of Banking Supervision |
| BIS | Bank for International Settlements |
| BoE | Bank of England |
| BOM | Bank of Mauritius |
| BSE | Botswana Stock Exchange |
| CA | Chartered Accountant |
| CDO | Collateralised debt obligation |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CFO | Chief Financial Officer |
| CLF | Committed liquidity facility |
| CLO | Collateralised loan obligation |
| CMD | Capital Markets Day |
| CMI | Continuous Mortality Investigation |
| COO | Chief Operating Officer |
| CPI | Consumer Price Index |
| CPR | Conditional prepayment rate |
| CRDIV (BASEL III) | Capital Requirements Directive IV |
| CRO | Chief Risk Officer |
| CVA | Credit value adjustment |
| DCF | Discounted cash flow |
| DLC | Dual listed company |
| DLC BRCC | DLC Board Risk and Capital Committee |
| DLC Nomdac | DLC Nominations and Directors Affairs Committee |
| DLC Remco | DLC Remuneration Committee |
| DLC SEC | DLC Social and Ethics Committee |
| EAD | Exposure at default |
| EBA | European Banking Authority |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| ECB | European Central Bank |
| ECL | Expected credit losses |
| EPS | Earnings per share |
| ESG | Environmental, social and governance |
| ERV | Expected rental value |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| FCA | Financial Conduct Authority |
| FINMA | Swiss Financial Market Supervisory Authority |
| FIRB | Foundation Internal Ratings-Based |
| FRC | Financial Reporting Council |
| FSB | Financial Services Board |
| FSC | Financial Sector Code |
| 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 |
| GFSC | Guernsey Financial Services Commission |
| GM | Guinness Mahon |
| HNW | High net worth |
| IAM | Investec Asset Management |
| IASB | International Accounting Standards Board |
| IASs | International Accounting Standards |
| IBL | Investec Bank Limited |
| IBL BRCC | IBL Board Risk and Capital Committee |
| IBL ERC | IBL Executive Risk Committee |
| IBP | Investec Bank plc |
| IBP BRCC | IBP Board Risk and Capital Committee |
| IBP ERC | IBP Executive Risk Committee |
| IFRS | International Financial Reporting Standard |
| ISAs (UK) | International Standards on Auditing (UK) |
| JSE | Johannesburg Stock Exchange |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss given default |
| LIBOR | London Inter-Bank Offered Rate |
| LSE | London Stock Exchange |
| MD | Managing Director |
| MiFID | Markets in Financial Instruments Directive |
| NCI | Non-controlling interests |
| NSFR | Net Stable Funding Ratio |
| NSX | Namibian Stock Exchange |
| OCI | Other comprehensive income |
| OECD | Organisation for Economic Co-operation and Development |
| OTC | Over the counter |
| PACCC | Prudential Assurance Conduct and Controls Committee |
| PCCC | Prudential Conduct and Controls Committee |
| PD | Probability of default |
| Policy ERRF | Policy Executive Risk Review Forum |
| PRA | Prudential Regulation Authority |
| PRASA | Passenger Rail Agency of South Africa |
| ROE | Return on equity |
| ROU | Right use of asset |
| RPI | Retail Price Index |
| S&P | Standard & Poor's |
| SARS | South African Revenue Service |
| SDGs | Sustainable Development Goals |
| SME | Small and Medium-sized Enterprises |
| SMMEs | Small, Medium & Micro Enterprises |
| South African PA | South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) |
| SOE | State-Owned Enterprise |
| SPPI | Solely payments of principal and interest |
| UKLA | United Kingdom Listing Authority |
| W&I | Wealth & Investment |
| WACC | Weighted average cost of capital |
| YES | Youth Employment Service |

# CORPORATE INFORMATION

**Investec plc and Investec Limited**
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**Website**
www.investec.com

**Registration number**
Investec plc
Registration number 3633621

Investec Limited
Registration number 1925/002833/06

**Auditors**
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Ernst & Young Inc.

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**Transfer secretaries in South Africa**
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Marshalltown 2107
Telephone (27) 11 370 5000

**Directorate as at 22 June 2021**

**Executive directors**
Fani Titi (Chief Executive)
Nishlan Samujh (Group Finance Director)
Richard Wainwright (Executive director)
Ciaran Whelan (Executive director)

**Non-executive directors**
Perry Crosthwaite (Chair)
Zarina Bassa (Senior independent director)
Henrietta Baldock
David Friedland
Philip Hourquebie
Charles Jacobs
Stephen Koseff
Lord Malloch-Brown KCMG
Nicky Newton-King
Jasandra Nyker
Philisiwe Sibiya
Khumo Shuenyane
Brian Stevenson

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OUT OF THE ORDINARY

Investec

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