OUT OF THE ORDINARY

Investec

Built on strong foundations

Investec Bank Limited (a subsidiary of Investec Limited)

Financial information

Unaudited condensed consolidated financial information for the year ended 31 March 2021

OVERVIEW OF RESULTS

Business performance was resilient despite an operating environment characterised by stop-start economies as countries grappled with the impact of COVID-19. We have seen good momentum since December 2020 with stronger activity levels and growth in lending books across the bank, good client acquisition and point-of-sale activity from private clients as well as increased corporate trading activity. Our clients have a track record of resilience in difficult operating environments as reflected in our low impairments and credit loss ratio. Despite a greater sense of optimism spurred on by declining COVID-19 infections and the vaccine roll out programme in South Africa, a third wave remains a key risk to the business and the economy.

Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 7.5% to R4 133 million (FY2020: R3 844 million).

The balance sheet remains sound with robust capital and liquidity ratios. At 31 March 2021, Investec Bank Limited had a total capital adequacy ratio of 17.8% (31 March 2020: 16.4%), a common equity tier one (CET1) ratio of 13.3% (31 March 2020: 12.1%) and a leverage ratio of 8.1% (31 March 2020: 6.9%).

Approval was received from the Prudential Authority to adopt the Advanced Internal Ratings Based (AIRB) approach for the bank's SME and Corporate models effective 1 April 2021. As a result, the proforma AIRB CET1 ratio was 14.0% at 31 March 2021, an approximate 70bps uplift on the Foundation Internal Ratings Based (FIRB) approach. We are working towards further adoption of AIRB on certain remaining portfolios and expect a further 100bps to 150bps uplift to the CET1 ratio.

The Liquidity coverage ratio was 150.2% for Investec Bank Limited (solo) and 164.0% for Investec Bank Limited (consolidated) while the Net stable funding ratio was 112.8% and 113.2%, respectively.

For full information on the Investec Group results, refer to the combined results of Investec plc and Investec Limited or the group’s website http://www.investec.com.

Certain financial information presented in this results announcement constitutes pro-forma financial information in terms of the JSE Limited Listings Requirements. The applicable criteria on the basis of which this pro-forma financial information has been prepared is set out in the IBL website booklet. The pro-forma financial information is the responsibility of the group’s Board of Directors. Pro-forma financial information was prepared for illustrative purposes only and because of its nature may not fairly present the issuer’s financial position, changes in equity, results of operations or cash flows. The external auditors performed a review of the pro-forma financial information and the review report is available for inspection at the registered office of Investec upon request.

We supplement our International Financial Reporting Standards (IFRS) figures with alternative performance measures used by management internally and which provide valuable, relevant information.

The description of alternative performance measures and their calculation is provided on page 24.

All other definitions can be found on page 25.

Key financial statistics	**31 March 2021**	31 March 2020	% change
Total operating income before expected credit loss impairment charges (R’million)	12 049	12 603	(4.4%)
Operating costs (R’million)	6 469	6 632	2.5%
Operating profit before goodwill and acquired intangibles (R’million)	5 013	4 883	2.7%
Headline earnings attributable to ordinary shareholders (R’million)	4 133	3 844	7.5%
Cost to income ratio	53.7%	52.6%	
Total capital resources (including subordinated liabilities) (R’million)	59 890	53 785	11.4%
Total equity (R’million)	46 954	41 748	12.5%
Total assets (R’million)	509 901	535 970	(4.9%)
Net core loans and advances (R’million)	283 240	283 946	(0.2%)
Customer accounts (deposits) (R’million)	374 369	375 948	(0.4%)
Loans and advances to customers as a % of customer accounts (deposits)	73.5%	73.6%	
Cash and near cash balances (R’million)	129 759	147 169	(11.8%)
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	10.5x	12.4x	
Total capital adequacy ratio	17.8%	16.4%	
Tier 1 ratio	13.7%	12.3%	
Common equity tier 1 ratio	13.3%	12.1%	
Leverage ratio	8.1%	6.9%	
Leverage ratio – fully loaded	8.1%	6.8%	
Stage 3 as a % of gross core loans subject to ECL	2.5%	1.5%	
Stage 3 net of ECL as a % of net core loans subject to ECL	2.1%	0.9%	
Credit loss ratio	0.18%	0.37%	

OVERVIEW OF RESULTS
CONTINUED

Financial review
Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the year ended 31 March 2020 (FY2020).

Salient operational features for the year under review include:

Total operating income before expected credit loss (ECL) impairment charges decreased by 4.4% to R12 049 million (FY2020: R12 603 million). The components of operating income are analysed further below:

- Net interest income increased by 1.3% to R8 786 million (FY2020: R8 673 million) supported by higher average lending book size and lower funding costs. Net core loans were broadly flat year-on-year at R283.2 billion (31 March 2020: R283.9 billion). Growth in the private clients loan book was offset by the corporate lending book which experienced higher repayments and lower net new originations as corporate clients remained cautious, particularly in the first half of the financial year
- Net fee and commission income reduced by 10.7% to R2 337 million (FY2020: R2 616 million) reflecting lower lending and transactional activity across the business primarily in the first half of the year
- Investment income decreased by 21.5% to R472 million (FY2020: R601 million) driven by lower realisations, dividend flows and negative fair value adjustments on certain investments given the prevailing economic backdrop
- Share of post taxation profit of associates reflects earnings in relation to the group’s investment in the IEP Group (IEP). The 74.6% reduction year on year reflects the negative impact of COVID-19 as some IEP subsidiaries were unable to trade during the hard lockdown
- Total trading income declined 5.9% to R370 million (FY2020: R393 million). The 41.5% increase in client flow trading income due to increased commodity and interest rate derivatives trading activity was offset by negative MTM on interest rate swaps hedging fixed deposits and foreign exchange swaps.

ECL impairment charges declined to R567 million (FY2020: R1 088 million) resulting in a credit loss ratio (CLR) of 18bps (FY2020: 37bps). Higher specific impairments and the inclusion of an additional model overlay were offset by stable portfolio impairments due to broadly flat lending books and an increased level of recoveries. Despite an increase in Stage 3 specific impairments, the coverage ratio declined to 18.5% (31 March 2020: 43.2%) due to some highly collateralised deals migrating from Stage 2 and the write-off of specific exposures with higher provision coverage.

Operating costs were well contained, declining by 2.5% to R6 469 million (FY2020: R6 632 million) driven by headcount containment and reduced discretionary expenditure. The decline in revenue resulted in a cost to income ratio of 53.7% (FY2020: 52.6%).

The decrease in impairment of associate to R98 million (FY2020: R937 million) relates to the non-repeat of a prior year goodwill impairment to the equity accounted value of the group's holding in IEP.

As a result of the foregoing factors, profit before taxation increased by 24.9% to R4 861 million (FY2020: R3 892 million). The higher taxation charge of R878 million (FY2020: R816 million) resulted in a profit after taxation of R3 997 million (FY2020: R3 090 million).

Outlook
Although the economic outlook is more positive, market conditions will remain uncertain given the low interest rate environment and the lasting effects of the pandemic. We carry good momentum into the 2022 financial year, remaining focused on executing our strategic priorities and well positioned for growth.

CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	**Year to 31 March 2021**	Year to 31 March 2020^
Interest income	26 370	35 279
Interest expense	(17 584)	(26 606)
Net interest income	**8 786**	**8 673**
Fee and commission income	2 804	3 106
Fee and commission expense	(467)	(490)
Investment income	472	601
Share of post taxation profit of associates	81	320
Trading income/(loss) arising from		
– customer flow	627	443
– balance sheet management and other trading activities	(257)	(50)
Other operating income	3	—
Total operating income before expected credit loss impairment charges	**12 049**	**12 603**
Expected credit loss impairment charges	(567)	(1 088)
Operating income	**11 482**	**11 515**
Operating costs	(6 469)	(6 632)
Operating profit before goodwill and acquired intangibles	**5 013**	**4 883**
Impairment of goodwill	(3)	(3)
Amortisation of acquired intangibles	(51)	(51)
Impairment of associate	(98)	(937)
Profit before taxation	**4 861**	**3 892**
Taxation on operating profit before acquired intangibles	(878)	(816)
Taxation on acquired intangibles	14	14
Profit after taxation	**3 997**	**3 090**

^ Restated, refer to 'Restatements' on page 17.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

R'million	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation	3 997	3 090
Other comprehensive income:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	11	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	2 025	(1 908)
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(33)	(79)
Foreign currency adjustments on translating foreign operations	(1 224)	1 290
Items that will never be reclassified to the income statement		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	415	(1 187)
Net (loss)/gain attributable to own credit risk*	(14)	1
Total comprehensive income	**5 177**	**588**
Total comprehensive income attributable to ordinary shareholders	5 022	402
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	155	186
Total comprehensive income	**5 177**	**588**

* These amounts are net of taxation expense/(credit) of R943.4 million [2020: (R1.6 billion)].

HEADLINE EARNINGS

R'million	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation	3 997	3 090
Dividend paid to perpetual preference shareholders and other Additional Tier 1 security holders	(155)	(186)
Gain on redemption of perpetual preference shares	17	—
Earnings attributable to ordinary shareholders	**3 859**	**2 904**
Headline adjustments, net of taxation^	274	940
Impairment of goodwill	3	3
Impairment of associates	98	937
Headline adjustments of equity accounted associates	173	—
Headline earnings attributable to ordinary shareholders	**4 133**	**3 844**

^ These amounts are net of associate taxation within equity accounted earnings of R47.7 million ((2020: Rnil).

CONDENSED CONSOLIDATED BALANCE SHEET

At R'million	31 March 2021	31 March 2020^
Assets		
Cash and balances at central banks	9 653	36 656
Loans and advances to banks	24 666	18 050
Non-sovereign and non-bank cash placements	8 956	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	30 221	26 426
Sovereign debt securities	53 009	64 358
Bank debt securities	21 862	12 265
Other debt securities	14 170	17 416
Derivative financial instruments	19 173	17 434
Securities arising from trading activities	2 869	3 178
Investment portfolio	4 923	5 801
Loans and advances to customers	275 056	276 754
Own originated loans and advances to customers securitised	8 184	7 192
Other loans and advances	181	242
Other securitised assets	578	416
Interests in associated undertakings	5 558	5 662
Deferred taxation assets	2 412	2 903
Other assets	7 417	6 156
Property and equipment	2 740	3 008
Investment properties	1	1
Goodwill	175	178
Software	95	149
Other acquired intangible assets	118	169
Loans to group companies	17 410	17 542
Non-current assets held for sale	474	—
	509 901	**535 970**
Liabilities		
Deposits by banks	17 144	37 277
Derivative financial instruments	23 011	22 097
Other trading liabilities	3 388	4 521
Repurchase agreements and cash collateral on securities lent	16 593	26 626
Customer accounts (deposits)	374 369	375 948
Debt securities in issue	2 126	3 258
Liabilities arising on securitisation of own originated loans and advances	3 271	1 699
Current taxation liabilities	684	315
Deferred taxation liabilities	32	47
Other liabilities	7 421	7 590
Loans from group companies	1 972	2 807
	450 011	**482 185**
Subordinated liabilities	12 936	12 037
	462 947	**494 222**
Equity		
Ordinary share capital	32	32
Share premium	14 250	14 250
Other reserves	411	(787)
Retained income	29 597	26 259
Ordinary shareholder's equity	**44 290**	**39 754**
Perpetual preference shares in issue	1 481	1 534
Shareholder's equity excluding non-controlling interests	**45 771**	**41 288**
Other Additional Tier 1 securities in issue	1 183	460
Total equity	**46 954**	**41 748**
Total liabilities and equity	**509 901**	**535 970**

^ Restated, refer to 'Restatements' on page 17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Ordinary share premium
At 1 April 2019	**32**	**13 351**
Movement in reserves 1 April 2019 – 31 March 2020		
Profit after taxation	—	—
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	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net gain attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Issue of ordinary shares	—	899
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Disposal of group operations	—	—
Net equity movements of interests in associated undertaking	—	—
Capital contribution from group companies	—	—
Employee benefit liability recognised	—	—
Other equity movements	—	—
At 31 March 2020	**32**	**14 250**
Movement in reserves 1 April 2020 – 31 March 2021		
Profit after taxation	—	—
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	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net loss attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Issue of other Additional Tier 1 securities in issue	—	—
Redemption of perpetual preference shares	—	—
Net equity movements of interest in associated undertaking	—	—
Capital contribution to group companies	—	—
Other equity movements	—	—
At 31 March 2021	**32**	**14 250**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves											
Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference shares in issue	**Shareholders' equity excluding non-controlling interests**	Other additional Tier 1 issue securities in issue	Non-controlling interests	**Total equity**
(104)	**770**	**(932)**	**25**	**2 031**	**24 597**	**39 770**	**1 534**	**41 304**	**460**	**(4)**	**41 760**
—	—	—	—	—	3 090	3 090	—	3 090	—	—	3 090
—	—	(619)	—	—	—	(619)	—	(619)	—	—	(619)
(1 908)	—	—	—	—	—	(1 908)	—	(1 908)	—	—	(1 908)
(79)	—	—	—	—	—	(79)	—	(79)	—	—	(79)
—	—	—	—	1 290	—	1 290	—	1 290	—	—	1 290
(1 187)	—	—	—	—	—	(1 187)	—	(1 187)	—	—	(1 187)
—	—	—	1	—	—	1	—	1	—	—	1
(3 174)	**—**	**(619)**	**1**	**1 290**	**3 090**	**588**	**—**	**588**	**—**	**—**	**588**
—	—	—	—	—	—	899	—	899	—	—	899
—	—	—	—	—	(1 050)	(1 050)	—	(1 050)	—	—	(1 050)
—	—	—	—	—	(186)	(186)	130	(56)	56	—	—
—	—	—	—	—	—	—	(130)	(130)	(56)	—	(186)
—	—	—	—	—	(4)	(4)	—	(4)	—	4	—
—	—	—	—	—	(44)	(44)	—	(44)	—	—	(44)
—	—	—	—	—	(86)	(86)	—	(86)	—	—	(86)
—	—	—	—	—	(133)	(133)	—	(133)	—	—	(133)
—	(75)	—	—	—	75	—	—	—	—	—	—
(3 278)	**695**	**(1 551)**	**26**	**3 321**	**26 259**	**39 754**	**1 534**	**41 288**	**460**	**—**	**41 748**
—	—	—	—	—	3 997	3 997	—	3 997	—	—	3 997
—	—	11	—	—	—	11	—	11	—	—	11
2 025	—	—	—	—	—	2 025	—	2 025	—	—	2 025
(33)	—	—	—	—	—	(33)	—	(33)	—	—	(33)
—	—	—	—	(1 224)	—	(1 224)	—	(1 224)	—	—	(1 224)
415	—	—	—	—	—	415	—	415	—	—	415
—	—	—	(14)	—	—	(14)	—	(14)	—	—	(14)
2 407	**—**	**11**	**(14)**	**(1 224)**	**3 997**	**5 177**	**—**	**5 177**	**—**	**—**	**5 177**
—	—	—	—	—	(600)	(600)	—	(600)	—	—	(600)
—	—	—	—	—	(155)	(155)	110	(45)	45	—	—
—	—	—	—	—	—	—	(110)	(110)	(45)	—	(155)
—	—	—	—	—	—	—	—	—	723	—	723
—	—	—	—	—	17	17	(53)	(36)	—	—	(36)
—	—	—	—	—	3	3	—	3	—	—	3
—	—	—	—	—	94	94	—	94	—	—	94
—	18	—	—	—	(18)	—	—	—	—	—	—
(871)	**713**	**(1 540)**	**12**	**2 097**	**29 597**	**44 290**	**1 481**	**45 771**	**1 183**	**—**	**46 954**

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

For the year to 31 March 2021 R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Group					
Net interest income/(expense)	4 651	4 405	(270)	—	8 786
Net fee and commission income	957	1 380	—	—	2 337
Investment income/(loss)	19	(2)	455	—	472
Share of post taxation (loss)/profit of associates	(8)	—	89	—	81
Trading income/(loss) arising from					
– customer flow	(1)	628	—	—	627
– balance sheet management and other trading activities	—	(194)	(63)	—	(257)
Other operating income	—	3	—	—	3
Total operating income before expected credit loss impairment charges	**5 618**	**6 220**	**211**	**—**	**12 049**
Expected credit loss impairment charges	(34)	(533)	—	—	(567)
Operating income	**5 584**	**5 687**	**211**	**—**	**11 482**
Operating costs	(2 981)	(3 164)	—	(324)	(6 469)
Profit before goodwill, acquired intangibles and taxation	**2 603**	**2 523**	**211**	**(324)**	**5 013**
Cost to income ratio	53.1%	50.9 %	n/a	n/a	53.7%
Total assets (R'million)	210 420	291 008	8 473	—	509 901

For the year to 31 March 2020 R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Group					
Net interest (expense)/income	4 892	4 157	(376)	—	8 673
Net fee and commission income	1 044	1 572	—	—	2 616
Investment income/(loss)	263	148	190	—	601
Share of post taxation (loss)/profit of associates and joint venture holdings	(23)	—	343	—	320
Trading income/(loss) arising from					
– customer flow	1	442	—	—	443
– balance sheet management and other trading activities	8	(110)	52	—	(50)
Other operating income	—	—	—	—	—
Total operating income before expected credit loss impairment charges	**6 185**	**6 209**	**209**	**—**	**12 603**
Expected credit loss impairment charges	(378)	(570)	(140)	—	(1 088)
Operating income	**5 807**	**5 639**	**69**	**—**	**11 515**
Operating costs	(3 218)	(3 079)	—	(335)	(6 632)
Profit before goodwill, acquired intangibles and taxation	**2 589**	**2 560**	**69**	**(335)**	**4 883**
Cost to income ratio	52.0%	49.6%	n/a	n/a	52.6%
Total assets (R'million)	205 729	321 463	8 778	—	535 970

^ 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
- Group Investments
- Group costs

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as a 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.

INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest income	2021 Average yield	2020^ Average balance sheet value	2020^ Interest income	2020^ Average yield
Cash, near cash and bank debt and sovereign debt securities	1	161 758	5 424	3.35%	134 063	7 884	5.88%
Core loans and advances	2	281 126	19 599	6.97%	272 802	26 162	9.59%
Private client		205 004	13 477	6.57%	194 964	18 373	9.42%
Corporate, Investment Banking and Other		76 122	6 122	8.04%	77 838	7 789	10.01%
Other debt securities and other loans and advances		16 263	899	5.53%	15 019	812	5.41%
Other	3	18 645	448	n/a	21 503	421	n/a
Total interest-earning assets		**477 792**	**26 370**		**443 387**	**35 279**	

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest expense	2021 Average yield	2020 Average balance sheet value	2020 Interest expense	2020 Average yield
Deposits by banks and other debt related securities	4	59 140	(1 447)	2.45%	50 598	(1 861)	3.68%
Customer accounts (deposits)		369 007	(14 999)	4.06%	348 025	(23 337)	6.71%
Subordinated liabilities		11 917	(803)	6.74%	13 059	(1 020)	7.81%
Other	5	5 547	(335)	n/a	4 003	(388)	n/a
Total interest-bearing liabilities		**445 611**	**(17 584)**		**415 685**	**(26 606)**	
Net interest income			**8 786**			**8 673**	
Net interest margin			**1.84%**			**1.96%**	

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: 1.84% (2020^: 1.87%).

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 and loans to group companies as well as interest income from derivative financial instruments 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 and loans from group companies, as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

^ Restated, refer to 'Restatements' on page 17.

INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

Net fee and commission income

For the year to 31 March R'million	2021	2020^
Specialist Banking net fee and commission income	**2 337**	**2 616**
Specialist Banking fee and commission income	2 804	3 106
Specialist Banking fee and commission expense	(467)	(490)
Net fee and commission income	**2 337**	**2 616**
Annuity fees (net of fees payable)	1 502	1 699
Deal fees	835	917

All revenue generated from fee and commission income arises from contracts with customers.

^ Restated, refer to 'Restatements' on page 17.

Investment income

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit share	Investment portfolio	Debt securities (sovereign bank and other)	Trading properties	Other asset categories	Total
2021									
Realised	183	(44)	—	51	190	63	(5)	—	248
Unrealised^	108	19	(200)	—	(73)	(19)	—	(46)	(138)
Dividend income	290	97	—	—	387	—	—	—	387
Funding and other net related costs	—	(24)	—	—	(24)	—	(1)	—	(25)
	581	**48**	**(200)**	**51**	**480**	**44**	**(6)**	**(46)**	**472**
2020									
Realised	(13)	45	—	162	194	110	11	(3)	312
Unrealised^	(86)	(93)	(131)	1	(309)	111	—	(53)	(251)
Dividend income	351	224	—	—	575	—	—	—	575
Funding and other net related costs	—	(36)	—	—	(36)	—	1	—	(35)
	252	**140**	**(131)**	**163**	**424**	**221**	**12**	**(56)**	**601**

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

ADDITIONAL IAS 34 DISCLOSURES

Analysis of financial assets and liabilities by measurement category

At 31 March 2021 **R'million**	**Total instruments at fair value**	**Financial instruments at amortised cost**	**Non-financial instruments or scoped out of IFRS 9**	**Total**
Assets				
Cash and balances at central banks	—	9 653	—	9 653
Loans and advances to banks	—	24 666	—	24 666
Non-sovereign and non-bank cash placements	23	8 933	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	17 744	—	30 221
Sovereign debt securities	43 878	9 131	—	53 009
Bank debt securities	16 870	4 992	—	21 862
Other debt securities	8 693	5 477	—	14 170
Derivative financial instruments	19 173	—	—	19 173
Securities arising from trading activities	2 869	—	—	2 869
Investment portfolio	4 923	—	—	4 923
Loans and advances to customers	23 709	251 347	—	275 056
Own originated loans and advances to customers securitised	—	8 184	—	8 184
Other loans and advances	—	181	—	181
Other securitised assets	—	578	—	578
Interests in associated undertakings	—	—	5 558	5 558
Deferred taxation assets	—	—	2 412	2 412
Other assets	2 448	2 335	2 634	7 417
Property and equipment	—	—	2 740	2 740
Investment properties	—	—	1	1
Goodwill	—	—	175	175
Software	—	—	95	95
Other acquired intangible assets	—	—	118	118
Loans to group companies	373	17 037	—	17 410
Non-current assets classified as held for sale	474	—	—	474
	135 910	**360 258**	**13 733**	**509 901**
Liabilities				
Deposits by banks	—	17 144	—	17 144
Derivative financial instruments	23 011	—	—	23 011
Other trading liabilities	3 388	—	—	3 388
Repurchase agreements and cash collateral on securities lent	4 357	12 236	—	16 593
Customer accounts (deposits)	21 310	353 059	—	374 369
Debt securities in issue	—	2 126	—	2 126
Liabilities arising on securitisation of own originated loans and advances	—	3 271	—	3 271
Current taxation liabilities	—	—	684	684
Deferred taxation liabilities	—	—	32	32
Other liabilities	1 256	2 484	3 681	7 421
Loans from group companies	—	1 972	—	1 972
	53 322	**392 292**	**4 397**	**450 011**
Subordinated liabilities	—	12 936	—	12 936
	53 322	**405 228**	**4 397**	**462 947**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Financial instruments carried 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).

At 31 March 2021 R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	23	—	23	—
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	—	12 477	—
Sovereign debt securities	43 878	43 878	—	—
Bank debt securities	16 870	8 197	8 673	—
Other debt securities	8 693	1 393	7 300	—
Derivative financial instruments	19 173	—	19 173	—
Securities arising from trading activities	2 869	2 770	99	—
Investment portfolio	4 923	2 155	6	2 762
Loans and advances to customers	23 709	—	23 674	35
Other assets	2 448	2 448	—	—
Loans to group companies	373	—	373	—
Non-current assets classified as held for sale	474	—	—	474
	135 910	**60 841**	**71 798**	**3 271**
Liabilities				
Derivative financial instruments	23 011	934	22 077	—
Other trading liabilities	3 388	47	3 341	—
Repurchase agreements and cash collateral on securities lent	4 357	—	4 357	—
Customer accounts (deposits)	21 310	—	21 310	—
Other liabilities	1 256	—	1 256	—
	53 322	**981**	**52 341**	**—**
Net financial assets at fair value	**82 588**	**59 860**	**19 457**	**3 271**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Transfers between level 1 and level 2

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

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2020	3 180	665	—	3 845
Net losses recognised in the income statement	(201)	(17)	—	(218)
Purchases	504	1	—	505
Sales	(107)	(10)	—	(117)
Settlements	(135)	(604)	—	(739)
Transfer to non-current assets classified as held for sale	(474)	—	474	—
Foreign exchange adjustments	(5)	—	—	(5)
Balance at 31 March 2021	**2 762**	**35**	**474**	**3 271**

For the year ended 31 March 2021, there were no transfers into and out of level 3.

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 2021 R'million	Total	Realised	Unrealised
Total losses included in the income statement for the year			
Investment income	(218)	(45)	(173)
	(218)	**(45)**	**(173)**

ADDITIONAL IAS 34 DISCLOSURES
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	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range of unobservable input used	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Investment portfolio	2 762				**511**	**(435)**
		Price earnings	EBITDA	*	409	(275)
		Discounted cash flow	Discount rate	13%-14%	2	—
		Discounted cash flow	Cash flows	**	23	(23)
		Net asset value	Underlying asset value	^	42	(75)
		Discounted cash flow	Precious and industrial metal price	(5%)- 5%	27	(27)
		Other	Various	**	8	(35)
Loans and advances to customers	35	Net asset value	Underlying asset value	^	4	(4)
Non-current assets classified as held for sale	474	Discounted cash flow	Discount rate	13%-15%	13	(16)
Total	**3 271**				**528**	**(455)**

* The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
** The valuation sensitivity of certain equity investments have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.
^ Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.

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

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

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

Cash flows
Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement

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.

Price of precious and industrial metals
The price of precious and industrial metals is a key driver of future cash flows on these investments.

Credit spreads
Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk a counter party. 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.

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

ADDITIONAL IAS 34 DISCLOSURES
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 curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price Discounted cash flow model	Liquidity adjustment Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value of financial assets and liabilities at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost where the carrying value is not a reasonable approximation of fair value:

At 31 March 2021 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts
Assets				
Cash and balances at central banks	9 653	9 653	—	—
Loans and advances to banks	24 666	24 666	—	—
Non-sovereign and non-bank cash placements	8 933	8 933	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	17 744	1 107	16 637	16 635
Sovereign debt securities	9 131	—	9 131	9 299
Bank debt securities	4 992	1 713	3 279	3 469
Other debt securities	5 477	4 534	943	987
Loans and advances to customers	251 347	238 304	13 043	13 101
Own originated loans and advances to customers securitised	8 184	8 184	—	—
Other loans and advances	181	181	—	—
Other securitised assets	578	578	—	—
Other assets	2 335	2 335	—	—
Loans to group companies	17 037	17 037	—	—
	360 258	**317 225**	**43 033**	**43 491**
Liabilities				
Deposits by banks	17 144	302	16 842	17 053
Repurchase agreements and cash collateral on securities lent	12 236	—	12 236	12 281
Customer accounts (deposits)	353 059	199 514	153 545	153 923
Debt securities in issue	2 126	780	1 346	1 366
Liabilities arising on securitisation of own originated loans and advances	3 271	3 271	—	—
Liabilities arising on securitisation of other assets	—	—	—	—
Other liabilities	2 484	2 484	—	—
Loans from group companies and subsidiaries	1 972	—	1 972	—
Subordinated liabilities	12 936	—	12 936	14 927
	405 228	**206 351**	**198 877**	**199 550**

This note has been restated to separately present those items where fair value approximates the carrying value.

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, headline earnings, the statement of cash flows and the balance sheet.

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

R'million	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Interest income	35 549	(270)	35 279
Fee and commission income	2 836	270	3 106

Balance sheet restatements

Software and Other acquired intangible assets

Software of R95 million (2020: R149 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 R1 481 million (2020: R1 534 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.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

R'million	31 March 2021	31 March 2020
Gross core loans	**285 968**	287 305
of which FVPL (excluding fixed rate loans^)	1 421	2 167
Gross core loans subject to ECL *	**284 547**	285 138
Stage 1	262 395	265 674
Stage 2	14 969	15 111
of which past due greater than 30 days	272	1 297
Stage 3	7 183	4 353
ECL	**(2 728)**	(3 359)
Stage 1	(984)	(1 056)
Stage 2	(416)	(423)
Stage 3	(1 328)	(1 880)
Coverage ratio		
Stage 1	0.38%	0.40%
Stage 2	2.8%	2.8%
Stage 3	18.5%	43.2%
Credit loss ratio	**0.18%**	**0.37%**
ECL impairment charges on core loans	(519)	(1 021)
Average gross core loans subject to ECL	284 842	277 630
A analysis of Stage 3 core loans subject to ECL		
Stage 3 net of ECL	5 855	2 473
Aggregate collateral and other credit enhancements on Stage 3	8 253	2 696
Stage 3 as a % of gross core loans subject to ECL	2.5%	1.5%
Total ECL as a % of Stage 3 exposure	38.0%	77.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.1%	0.9%

^ 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 (R22 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2020: R21 billion). The ECL on the portfolio is R105 million (31 March 2020: R67 million).

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

ASSET QUALITY
CONTINUED

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Commercial real estate	**46 387**	**(227)**	**2 816**	**(78)**	**2 197**	**(262)**	**51 400**	**(567)**	**—**	**51 400**
Commercial real estate – investment	42 281	(202)	2 704	(77)	2 182	(256)	47 167	(535)	—	47 167
Commercial real estate – development	3 404	(22)	49	(1)	—	—	3 453	(23)	—	3 453
Commercial vacant land and planning	702	(3)	63	—	15	(6)	780	(9)	—	780
Residential real estate	**7 706**	**(29)**	**229**	**(6)**	**105**	**(22)**	**8 040**	**(57)**	**—**	**8 040**
Residential real estate – investment	3 792	(11)	—	—	96	(19)	3 888	(30)	—	3 888
Residential real estate – development	3 189	(15)	226	(6)	—	—	3 415	(21)	—	3 415
Residential vacant land and planning	725	(3)	3	—	9	(3)	737	(6)	—	737
Total lending collateralised by property	**54 093**	**(256)**	**3 045**	**(84)**	**2 302**	**(284)**	**59 440**	**(624)**	—	**59 440**
Coverage ratio	**0.47%**		**2.8%**		**12.3%**		**1.1%**			
At 31 March 2020^										
Commercial real estate	**49 619**	**(336)**	**1 315**	**(4)**	**543**	**(100)**	**51 477**	**(440)**	**—**	**51 477**
Commercial real estate – investment	44 404	(311)	1 305	(4)	542	(99)	46 251	(414)	—	46 251
Commercial real estate – development	4 369	(21)	—	—	—	—	4 369	(21)	—	4 369
Commercial vacant land and planning	846	(4)	10	—	1	(1)	857	(5)	—	857
Residential real estate	**7 076**	**(59)**	**51**	**(2)**	**20**	**(10)**	**7 147**	**(71)**	**—**	**7 147**
Residential real estate – investment	3 102	(26)	—	—	—	—	3 102	(26)	—	3 102
Residential real estate – development	3 353	(24)	31	—	—	—	3 384	(24)	—	3 384
Residential vacant land and planning	621	(9)	20	(2)	20	(10)	661	(21)	—	661
Total lending collateralised by property	**56 695**	**(395)**	**1 366**	**(6)**	**563**	**(110)**	**58 624**	**(511)**	—	**58 624**
Coverage ratio	**0.70%**		**0.4%**		**19.5%**		**0.9%**			

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended, to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

ASSET QUALITY
CONTINUED

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Mortgages	76 604	(133)	3 632	(134)	1 391	(318)	81 627	(585)	—	81 627
High net worth and specialised lending	63 119	(261)	1 063	(20)	1 471	(324)	65 653	(605)	—	65 653
Total high net worth and other private client lending	**139 723**	**(394)**	**4 695**	**(154)**	**2 862**	**(642)**	**147 280**	**(1 190)**	—	**147 280**
Coverage ratio	**0.28%**		**3.3%**		**22.4%**		**0.8%**			
At 31 March 2020^										
Mortgages	74 040	(68)	2 454	(56)	1 204	(290)	77 698	(414)	—	77 698
High net worth and specialised lending	64 342	(261)	2 061	(126)	499	(421)	66 902	(808)	—	66 902
Total high net worth and other private client lending	**138 382**	**(329)**	**4 515**	**(182)**	**1 703**	**(711)**	**144 600**	**(1 222)**	—	**144 600**
Coverage ratio	**0.24%**		**4.0%**		**41.8%**		**0.9%**			

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended, to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

ASSET QUALITY
CONTINUED

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Corporate and acquisition finance	44 943	(216)	6 425	(160)	1 462	(339)	52 830	(715)	1 421	54 251
Fund finance	7 624	(29)	—	—	—	—	7 624	(29)	—	7 624
Financial institutions and governments	3 351	(4)	156	(4)	3	—	3 510	(8)	—	3 510
Asset finance	6 396	(71)	219	(11)	554	(63)	7 169	(145)	—	7 169
Small ticket asset finance	4 127	(48)	219	(11)	506	(40)	4 852	(99)	—	4 852
Large ticket asset finance	2 269	(23)	—	—	48	(23)	2 317	(46)	—	2 317
Power and infrastructure finance	6 265	(14)	429	(3)	—	—	6 694	(17)	—	6 694
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**68 579**	**(334)**	**7 229**	**(178)**	**2 019**	**(402)**	**77 827**	**(914)**	**1 421**	**79 248**
Coverage ratio	**0.49%**		**2.5%**		**19.9%**		**1.2%**			
At 31 March 2020^										
Corporate and acquisition finance	42 622	(251)	7 213	(220)	1 731	(535)	51 566	(1 006)	1 563	53 129
Fund finance	8 408	(26)	—	—	—	—	8 408	(26)	—	8 408
Financial institutions and governments	6 068	(6)	234	(1)	—	—	6 302	(7)	—	6 302
Asset finance	8 030	(35)	203	(3)	356	(524)	8 589	(562)	604	9 193
Small ticket asset finance	4 850	(25)	203	(3)	356	(524)	5 409	(552)	604	6 013
Large ticket asset finance	3 180	(10)	—	—	—	—	3 180	(10)	—	3 180
Power and infrastructure finance	5 430	(14)	1 481	(11)	—	—	6 911	(25)	—	6 911
Resource finance	39	—	99	—	—	—	138	—	—	138
Total corporate and other lending	**70 597**	**(332)**	**9 230**	**(235)**	**2 087**	**(1 059)**	**81 914**	**(1 626)**	**2 167**	**84 081**
Coverage ratio	**0.47%**		**2.6%**		**50.7%**		**2.0%**			

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended, to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	FIRB	Increased AIRB Scope *	FIRB
	31 March 2021^	31 March 2021^	31 March 2020^
Common equity tier 1 (as reported)	13.3%	14.0%	12.1%
Common equity tier 1 (fully loaded)^^	13.3%	14.0%	12.1%
Tier 1 (as reported)	13.7%	14.4%	12.3%
Total capital adequacy ratio (as reported)	17.8%	18.6%	16.4%
Leverage ratio**	8.1%	8.1%	6.9%
Leverage ratio** – fully loaded^^	8.1%	8.1%	6.8%

Capital structure and capital adequacy

	FIRB	Increased AIRB Scope *	FIRB
R'million	**31 March 2021^**	**31 March 2021^**	31 March 2020^
Shareholders' equity	**44 290**	**44 290**	**39 754**
Shareholders' equity per balance sheet	45 771	45 771	41 288
Perpetual preference share capital and share premium	(1 481)	(1 481)	(1 534)
Regulatory adjustments to the accounting basis	**1 337**	**1 337**	**1 518**
Prudent valuation adjustment	(190)	(190)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(12)	(12)	(26)
Cash flow hedging reserve	1 539	1 539	1 550
Deductions	**(1 769)**	**(1 651)**	**(2 721)**
Goodwill and intangible assets net of deferred tax	(388)	(388)	(496)
Investment in financial entity	(1 035)	(1 024)	(1 596)
Shortfall of eligible provisions compared to expected loss	(346)	(239)	(629)
Common equity tier 1 capital	**43 858**	**43 976**	**38 551**
Additional Tier 1 capital	**1 336**	**1 336**	**751**
Additional tier 1 instruments	2 664	2 664	1 994
Phase out of non-qualifying additional tier 1 instruments	(1 328)	(1 328)	(1 227)
Investment in capital of financial entities above 10% threshold	—	—	(16)
Tier 1 capital	**45 194**	**45 312**	**39 302**
Tier 2 capital	**13 370**	**13 370**	**12 905**
Collective impairment allowances	434	434	895
Tier 2 instruments	12 936	12 936	12 037
Investment in capital of financial entities above 10% threshold	—	—	(27)
Total regulatory capital	**58 564**	**58 682**	**52 207**
Risk-weighted assets	**329 468**	**314 945**	**319 090**

* Investec Bank Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021. We present numbers on a pro-forma basis for 31 March 2021.

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

^ Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's CET 1 ratio would be 48bps lower (31 March 2020: 15bps lower).

^^ The key difference between the 'reported' basis and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2023.

CAPITAL ADEQUACY
CONTINUED

Capital requirements

R'million	31 March 2021^	31 March 2020^
Capital requirements	**34 594**	**36 695**
Credit risk	29 167	30 653
Equity risk	1 046	1 726
Counterparty credit risk	1 024	1 016
Credit valuation adjustment risk	619	273
Market risk	408	478
Operational risk	2 330	2 549
Risk-weighted assets	**329 468**	**319 090**
Credit risk	277 781	266 552
Equity risk	9 959	15 010
Counterparty credit risk	9 756	8 837
Credit valuation adjustment risk	5 892	2 371
Market risk	3 887	4 158
Operational risk	22 193	22 162

Leverage

R'million	31 March 2021^	31 March 2020^
Exposure measure	**556 033**	**571 144**
Tier 1 capital	45 194	39 302
Leverage ratio**	**8.1%**	**6.9%**
Tier 1 capital fully loaded^^	45 040	38 995
Leverage ratio - fully loaded^^**	**8.1%**	**6.8%**

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

^ Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's CET 1 ratio would be 48bps lower (31 March 2020: 15bps lower).

^^ The key difference between the 'reported' basis and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2023.

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. The external auditors performed a review of the pro-forma financial information and the opinion is available for inspection at the registered office of Investec upon request.

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

R'million	**31 March 2021**	31 March 2020
Loans and advances to customers per the balance sheet	275 056	276 754
Add: Own originated loans and advances to customers per the balance sheet	8 184	7 192
Net core loans	**283 240**	**283 946**
of which subject to ECL*	281 819	281 779
Net core loans at amortised cost	259 531	261 077
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	22 288	20 702
of which FVPL (excluding fixed rate loans above)	1 421	2 167
Add: ECL	2 728	3 359
Gross core loans	**285 968**	**287 305**
of which subject to ECL*	284 547	285 138
of which FVPL (excluding fixed rate loans above)	1 421	2 167

^ 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 (R22 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2020: R21 billion). The ECL on the portfolio is R105 million (31 March 2020: R67 million).

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

Cost to income ratio	Refer to calculation in the table below

R'million	**31 March 2021**	31 March 2020
Operating costs (A)	6 469	6 632
Total operating income before expected credit losses	12 049	12 603
Less: Profit attributable to other non-controlling interests	—	—
Total (B)	12 049	12 603
Cost to income ratio (A/B)	**53.7%**	**52.6%**

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
Gearing ratio	Total assets excluding intergroup loans divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 9

DEFINITIONS

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

ECL
Expected credit loss

FVOCI
Fair value through other comprehensive income

FVPL
Fair value through profit and loss

Interest-earning assets
Cash and near cash, bank debt securities, sovereign debt securities, core loans and advances, other debt securities, other loans and advances and other securitised assets.

Refer to page 9 for calculation

Interest-bearing liabilities
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), liabilities arising on securitisation of own originated loans and advances and loans from group companies.

Refer to page 9 for calculation

Subject to ECL
Includes financial assets held at amortised cost 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

OUT OF THE ORDINARY

Investec

investec.com