

— OUT OF THE ORDINARY

Built on strong foundations

Investec Bank plc (a subsidiary of Investec plc)

Unaudited condensed consolidated financial information
for the year ended 31 March 2021
IFRS – Pound Sterling



OVERVIEW OF RESULTS

Introduction

We supplement our 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 25.
- All other definitions can be found on page 26.

Key financial statistics	31 March 2021	31 March 2020	% change
Total operating income before expected credit loss impairment charges (£'000)	936 332	957 207	(2.2%)
Operating costs (£'000) [^]	757 758	707 033	7.2%
Adjusted operating profit (£'000)	108 301	173 604	(37.6%)
Earnings attributable to ordinary shareholder (£'000)	63 809	57 822	10.4%
Cost to income ratio (%)	80.9%	73.9%	
Total capital resources (including subordinated liabilities) (£'000)	3 136 401	3 118 202	0.6%
Total equity (£'000)	2 364 920	2 331 172	1.4%
Total assets (£'000) [^]	24 395 538	24 570 955	(0.7%)
Net core loans (£'000)	12 311 104	11 832 499	4.0%
Customer accounts (deposits) (£'000)	16 240 634	15 505 883	4.7%
Loans and advances to customers as a % of customer deposits	75.8%	76.3%	
Cash and near cash balances (£'mn)	6 857	6 040	13.5%
Funds under management (£'mn)	41 708	33 465	24.6%
Total gearing ratio (i.e. total assets to equity)	10.3x	10.6x	
Total capital ratio	16.4%	16.5%	
Tier 1 ratio	13.4%	13.1%	
Common equity tier 1 ratio	11.8%	11.5%	
Leverage ratio	8.0%	8.0%	
Leverage ratio (fully loaded)	7.7%	7.8%	
Stage 3 exposure as a % of gross core loans subject to ECL	2.8%	3.3%	
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.0%	2.4%	
Credit loss ratio	0.56%	0.69%	

[^] Restated as detailed on page 18.

CONDENSED CONSOLIDATED INCOME STATEMENT

£'000	Year to 31 March 2021	Year to 31 March 2020 [^]
Interest income	702 126	784 421
Interest expense	(288 035)	(374 872)
Net interest income	414 091	409 549
Fee and commission income	499 671	495 789
Fee and commission expense	(13 201)	(13 766)
Investment income	23 820	6 591
Share of post-taxation profit of associates and joint venture holdings	1 768	2 128
Trading income/(loss) arising from		
– customer flow	(11 025)	50 980
– balance sheet management and other trading activities	11 206	(528)
Other operating income	10 002	6 464
Total operating income before expected credit loss impairment charges	936 332	957 207
Expected credit loss impairment charges	(71 134)	(75 706)
Operating income	865 198	881 501
Operating costs	(757 758)	(707 033)
Operating profit before goodwill, acquired intangibles and strategic actions	107 440	174 468
Impairment of goodwill	(8 787)	—
Amortisation of acquired intangibles	(12 851)	(12 915)
Closure and rundown of the Hong Kong direct investments business	7 387	(89 257)
Operating profit	93 189	72 296
Financial impact of group restructures	—	(26 898)
Profit before taxation	93 189	45 398
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(31 270)	(7 638)
Taxation on goodwill, acquired intangibles and strategic actions	1 029	20 926
Profit after taxation	62 948	58 686
Loss/(profit) attributable to non-controlling interests	861	(864)
Earnings attributable to shareholder	63 809	57 822

[^] Restated as detailed on page 18.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation	62 948	58 686
Other comprehensive income/(loss):		
Items that may be reclassified to the income statement:		
Losses/(gains) on realisation of debt instruments at FVOCI recycled through the income statement*	821	(1 372)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(228)	3 271
Foreign currency adjustments on translating foreign operations**	(3 771)	(1 002)
Effect of rate change on deferred tax relating to adjustment for IFRS 9	380	(1 761)
Items that will never be reclassified to the income statement:		
Gains attributable to own credit risk*	62	9 440
Movement in post-retirement benefit liabilities	(39)	51
Total comprehensive income	60 173	67 313
Total comprehensive (loss)/income attributable to non-controlling interests	(861)	864
Total comprehensive income attributable to ordinary shareholder	44 159	49 574
Total comprehensive income attributable to Additional Tier 1 securities	16 875	16 875
Total comprehensive income	60 173	67 313

* Net of £0.2 million tax credit (31 March 2020: £0.3 million tax charge), except for the impact of rate changes on deferred tax as shown separately above.

** Year to 31 March 2020 includes £0.8 million gains on recycling of currency translation differences from sale of Ireland wealth business.

CONDENSED CONSOLIDATED BALANCE SHEET

£'000	At 31 March 2021	At 31 March 2020 [^]
Assets		
Cash and balances at central banks	3 043 034	2 277 318
Loans and advances to banks	1 383 602	1 793 867
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	2 458 822
Sovereign debt securities	1 108 253	1 084 958
Bank debt securities	48 044	51 238
Other debt securities	708 845	695 818
Derivative financial instruments	773 334	1 250 994
Securities arising from trading activities	281 645	256 645
Investment portfolio	350 941	350 662
Loans and advances to customers	12 316 313	11 834 207
Other loans and advances	162 456	266 501
Other securitised assets	107 259	106 218
Interests in associated undertakings and joint venture holdings	4 213	6 579
Deferred taxation assets	109 849	129 715
Other assets	1 438 535	1 462 159
Property and equipment	185 502	216 955
Goodwill	244 072	252 958
Software	7 791	6 955
Other acquired intangible assets	56 618	68 386
	24 395 538	24 570 955
Liabilities		
Deposits by banks	1 352 279	1 450 463
Derivative financial instruments	916 352	1 147 525
Other trading liabilities	49 055	118 572
Repurchase agreements and cash collateral on securities lent	157 357	396 811
Customer accounts (deposits)	16 240 634	15 505 883
Debt securities in issue	1 193 378	1 026 474
Liabilities arising on securitisation of other assets	108 281	110 679
Current taxation liabilities	37 287	43 470
Deferred taxation liabilities	20 652	22 112
Other liabilities	1 183 862	1 630 764
	21 259 137	21 452 753
Subordinated liabilities	771 481	787 030
	22 030 618	22 239 783
Equity		
Ordinary share capital	1 280 550	1 280 550
Share premium	199 538	199 538
Capital reserve	153 177	153 177
Other reserves	(12 827)	(11 071)
Retained income	494 092	455 609
	2 114 530	2 077 803
Shareholder's equity excluding non-controlling interests		
Additional Tier 1 securities in issue	250 000	250 000
Non-controlling interests in partially held subsidiaries	390	3 369
	2 364 920	2 331 172
Total equity	2 364 920	2 331 172
Total liabilities and equity	24 395 538	24 570 955

[^] Restated as detailed on page 18.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Share premium	Capital reserve account
At 1 April 2019	1 186 800	143 288	162 789
Movement in reserves 1 April 2019 – 31 March 2020			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	93 750	56 250	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from capital reserve	—	—	(9 612)
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2020	1 280 550	199 538	153 177
Movement in reserves 1 April 2020 – 31 March 2021			
Profit after taxation	—	—	—
Effect of rate change on deferred tax relating to adjustment for IFRS 9	—	—	—
Losses on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Issue of ordinary shares	—	—	—
Dividends paid to ordinary shareholder	—	—	—
Dividends declared to Additional Tier 1 security holders	—	—	—
Dividends paid to Additional Tier 1 security holders	—	—	—
Transfer from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
At 31 March 2021	1 280 550	199 538	153 177

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves				Retained income	Shareholder's equity excluding non-controlling interests	Additional Tier 1 securities in issue	Non-controlling interests	Total equity
Fair value reserve	Foreign currency reserves	Own credit reserve						
2 084	(354)	(21 377)	447 924	1 921 154	250 000	(7 926)	2 163 228	
—	—	—	57 822	57 822	—	864	58 686	
(1 514)	—	(247)	—	(1 761)	—	—	(1 761)	
(1 372)	—	—	—	(1 372)	—	—	(1 372)	
3 271	—	—	—	3 271	—	—	3 271	
—	(1 002)	—	—	(1 002)	—	—	(1 002)	
—	—	9 440	—	9 440	—	—	9 440	
—	—	—	51	51	—	—	51	
385	(1 002)	9 193	57 873	66 449	—	864	67 313	
—	—	—	(1 599)	(1 599)	—	—	(1 599)	
—	—	—	(5 354)	(5 354)	—	—	(5 354)	
—	—	—	—	150 000	—	—	150 000	
—	—	—	(35 000)	(35 000)	—	—	(35 000)	
—	—	—	(16 875)	(16 875)	16 875	—	—	
—	—	—	—	—	(16 875)	—	(16 875)	
—	—	—	9 612	—	—	—	—	
—	—	—	(972)	(972)	—	10 431	9 459	
2 469	(1 356)	(12 184)	455 609	2 077 803	250 000	3 369	2 331 172	
—	—	—	63 809	63 809	—	(861)	62 948	
(19)	—	399	—	380	—	—	380	
821	—	—	—	821	—	—	821	
(228)	—	—	—	(228)	—	—	(228)	
—	(3 771)	—	—	(3 771)	—	—	(3 771)	
—	—	62	—	62	—	—	62	
—	—	—	(39)	(39)	—	—	(39)	
574	(3 771)	461	63 770	61 034	—	(861)	60 173	
—	—	—	107	107	—	—	107	
—	—	—	3 729	3 729	—	—	3 729	
—	—	—	—	—	—	—	—	
—	—	—	(11 000)	(11 000)	—	—	(11 000)	
—	—	—	(16 875)	(16 875)	16 875	—	—	
—	—	—	—	—	(16 875)	—	(16 875)	
—	980	—	(980)	—	—	—	—	
—	—	—	(268)	(268)	—	(2 118)	(2 386)	
3 043	(4 147)	(11 723)	494 092	2 114 530	250 000	390	2 364 920	

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the year to 31 March 2021 £'000	Specialist Banking			Total group
	Private Client			
	Wealth & Investment	Private Banking [^]	Corporate, Investment Banking and Other [^]	
Net interest income	2 296	34 664	377 131	414 091
Fee and commission income	316 813	705	182 153	499 671
Fee and commission expense	(773)	(61)	(12 367)	(13 201)
Investment income	272	19	23 529	23 820
Share of post-taxation profit of associates and joint venture holdings	—	—	1 768	1 768
Trading income/(loss) arising from				
– customer flow	920	1 196	(13 141)	(11 025)
– balance sheet management and other trading activities	(9)	13	11 202	11 206
Other operating income	—	—	10 002	10 002
Total operating income before expected credit loss impairment charges	319 519	36 536	580 277	936 332
Expected credit loss impairment charges	(4)	(1 515)	(69 615)	(71 134)
Operating income	319 515	35 021	510 662	865 198
Operating costs	(245 175)	(38 033)	(474 550)	(757 758)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	74 340	(3 012)	36 112	107 440
Loss attributable to other non-controlling interests	—	—	861	861
Adjusted operating profit/(loss) after non-controlling interests	74 340	(3 012)	36 973	108 301
Selected returns and key statistics				
Cost to income ratio	76.7%	104.1%	81.7%	80.9%
Total assets (£'mn)	1 016	3 338	20 042	24 396

[^] 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

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as separate segments for the first time in 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT
CONTINUED

	Specialist Banking			Total group
	Private Client			
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	
For the year to 31 March 2020[^]				
£'000				
Net interest income	12 604	23 441	373 504	409 549
Fee and commission income	305 090	341	190 358	495 789
Fee and commission expense	(678)	(8)	(13 080)	(13 766)
Investment income	(436)	—	7 027	6 591
Share of post-taxation profit of associates and joint venture holdings	—	—	2 128	2 128
Trading income/(loss) arising from				
– customer flow	862	1 433	48 685	50 980
– balance sheet management and other trading activities	108	1	(637)	(528)
Other operating income	181	—	6 283	6 464
Total operating income before expected credit loss impairment charges	317 731	25 208	614 268	957 207
Expected credit loss impairment release/(charges)	1	(643)	(75 064)	(75 706)
Operating income	317 732	24 565	539 204	881 501
Operating costs	(254 714)	(43 482)	(408 837)	(707 033)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	63 018	(18 917)	130 367	174 468
Profit attributable to other non-controlling interests	—	—	(864)	(864)
Adjusted operating profit/(loss) after non-controlling interests	63 018	(18 917)	129 503	173 604
Selected returns and key statistics				
Cost to income ratio	80.2%	172.5%	66.7%	73.9%
Total assets (£'mn)	1 013	2 432	21 126	24 571

[^] Restated as detailed on page 18.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

		2021			2020		
For the year to 31 March £'000	Notes	Average balance sheet value*	Interest income	Average yield	Average balance sheet value*	Interest income	Average yield
Cash, near cash and bank debt and sovereign debt securities	1	7 709 727	27 778	0.36%	7 225 467	73 872	1.02%
Loans and advances	2	12 142 660	578 446	4.76%	10 955 366	587 379	5.36%
Private client		2 873 101	84 191	2.93%	2 088 825	67 439	3.23%
Corporate, Investment Banking and Other		9 269 559	494 255	5.33%	8 866 541	519 940	5.86%
Other debt securities and other loans and advances		912 818	34 207	3.75%	777 592	31 025	3.99%
Other [#]	3	287 831	61 695	n/a	323 948	92 145	n/a
Total interest-earning assets		21 053 036	702 126	3.34%	19 282 373	784 421	4.07%
		2021			2020		
For the year to 31 March £'000	Notes	Average balance sheet value*	Interest expense	Average yield	Average balance sheet value*	Interest expense	Average yield
Deposits by banks and other debt-related securities	4	2 794 305	27 636	0.99%	3 455 942	43 609	1.26%
Customer accounts (deposits)		16 218 480	131 227	0.81%	13 907 304	184 742	1.33%
Subordinated liabilities		789 555	48 145	6.10%	807 843	48 319	5.98%
Other [#]	5	436 350	81 027	n/a	481 381	98 202	n/a
Total interest-bearing liabilities		20 238 690	288 035	1.42%	18 652 470	374 872	2.01%
Net interest income			414 091			409 549	
Net interest margin			1.97%			2.12%	

Notes:

- 1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
 - 2 Comprises (as per the balance sheet) loans and advances to customers.
 - 3 Comprises (as per the balance sheet) lease receivables (housed in other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
 - 4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
 - 5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
- # Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.
- * We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full year) or 7 point (half year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been 1.99% (March 2020: 2.09%).

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

Net fee and commission income

For the year to 31 March £'000	2021	2020
Wealth & Investment businesses net fee and commission income	316 040	304 412
Fund management fees/fees for assets under management	267 381	261 093
Private client transactional fees	49 432	43 997
Fee and commission expense	(773)	(678)
Specialist Banking net fee and commission income	170 430	177 611
Specialist Banking fee and commission income	182 858	190 699
Specialist Banking fee and commission expense	(12 428)	(13 088)
Net fee and commission income	486 470	482 023
Annuity fees (net of fees payable)	284 109	280 037
Deal fees	202 361	201 986

Investment income

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	Total investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2021								
Realised	9 363	971	13	10 347	6 121	(1 755)	23 165	37 878
Unrealised*	6 449	8 229	(35)	14 643	(2 967)	(3 141)	(28 823)	(20 288)
Dividend income	21	3 906	—	3 927	—	—	—	3 927
Funding and other net related income	—	—	—	—	—	2 303	—	2 303
	15 833	13 106	(22)	28 917	3 154	(2 593)	(5 658)	23 820
2020								
Realised	(765)	51 038	15 558	65 831	4 274	(3 616)	889	67 378
Unrealised*	(9 571)	(39 600)	(7 329)	(56 500)	(3 743)	1 814	(8 011)	(66 440)
Dividend income	7	2 892	—	2 899	—	—	—	2 899
Funding and other net related income	—	—	—	—	—	2 754	—	2 754
	(10 329)	14 330	8 229	12 230	531	952	(7 122)	6 591

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

ADDITIONAL IAS 34 DISCLOSURES

Analysis of financial assets and liabilities by category of financial instruments

At 31 March 2021 £'000	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Assets				
Cash and balances at central banks	—	3 043 034	—	3 043 034
Loans and advances to banks	—	1 383 602	—	1 383 602
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	1 389 791	—	2 065 232
Sovereign debt securities	1 108 253	—	—	1 108 253
Bank debt securities	43 781	4 263	—	48 044
Other debt securities	203 338	505 507	—	708 845
Derivative financial instruments*	773 334	—	—	773 334
Securities arising from trading activities	281 645	—	—	281 645
Investment portfolio	350 941	—	—	350 941
Loans and advances to customers	1 045 663	11 270 650	—	12 316 313
Other loans and advances	—	162 456	—	162 456
Other securitised assets	107 259	—	—	107 259
Interests in associated undertakings and joint venture holdings	—	—	4 213	4 213
Deferred taxation assets	—	—	109 849	109 849
Other assets	6 857	951 818	479 860	1 438 535
Property and equipment	—	—	185 502	185 502
Goodwill	—	—	244 072	244 072
Software	—	—	7 791	7 791
Other acquired intangible assets	—	—	56 618	56 618
	4 596 512	18 711 121	1 087 905	24 395 538
Liabilities				
Deposits by banks	294	1 351 985	—	1 352 279
Derivative financial instruments*	916 352	—	—	916 352
Other trading liabilities	49 055	—	—	49 055
Repurchase agreements and cash collateral on securities lent	—	157 357	—	157 357
Customer accounts (deposits)	—	16 240 634	—	16 240 634
Debt securities in issue	118 690	1 074 688	—	1 193 378
Liabilities arising on securitisation of other assets	108 281	—	—	108 281
Current taxation liabilities	—	—	37 287	37 287
Deferred taxation liabilities	—	—	20 652	20 652
Other liabilities	—	612 006	571 856	1 183 862
	1 192 672	19 436 670	629 795	21 259 137
Subordinated liabilities	334 804	436 677	—	771 481
	1 527 476	19 873 347	629 795	22 030 618

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2021 £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	675 441	—	675 441	—
Sovereign debt securities	1 108 253	1 108 253	—	—
Bank debt securities	43 781	43 781	—	—
Other debt securities	203 338	—	99 934	103 404
Derivative financial instruments	773 334	19	746 510	26 805
Securities arising from trading activities	281 645	275 526	959	5 160
Investment portfolio	350 941	9 149	4 841	336 951
Loans and advances to customers	1 045 663	—	—	1 045 663
Other securitised assets	107 259	—	—	107 259
Other assets	6 857	6 857	—	—
	4 596 512	1 443 585	1 527 685	1 625 242
Liabilities				
Deposits by banks	294	—	—	294
Derivative financial instruments	916 352	—	888 612	27 740
Other trading liabilities	49 055	38 399	10 656	—
Debt securities in issue	118 690	—	118 690	—
Liabilities arising on securitisation of other assets	108 281	—	—	108 281
Subordinated liabilities	334 804	334 804	—	—
	1 527 476	373 203	1 017 958	136 315
Net assets at fair value	3 069 036	1 070 382	509 727	1 488 927

Transfers between level 1 and level 2

During the current year there were no transfers between level 1 and level 2.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy (continued)

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

£'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets ¹	Total
Assets					
Balance as at 1 April 2020	339 086	1 067 376	106 218	178 840	1 691 520
Total gains or (losses)	1 809	21 988	8 732	11 787	44 316
In the income statement	1 809	24 180	8 732	11 787	46 508
In the statement of comprehensive income	—	(2 192)	—	—	(2 192)
Purchases	49 701	945 556	—	9 054	1 004 311
Sales	(27 327)	(495 008)	—	(26 367)	(548 702)
Issues	—	—	—	37	37
Settlements	(17 617)	(447 858)	(7 691)	(29 409)	(502 575)
Transfers into level 3	—	7 802	—	5 033	12 835
Foreign exchange adjustments	(8 701)	(54 193)	—	(13 606)	(76 500)
Balance as at 31 March 2021	336 951	1 045 663	107 259	135 369	1 625 242
Liabilities					
£'000			Liabilities arising on securitisation of other assets	Other balance sheet liabilities ²	Total
Balance as at 1 April 2020			110 679	27 017	137 696
Total (gains) or losses			5 460	4 927	10 387
In the income statement			5 460	4 927	10 387
Settlements			(7 858)	(1 188)	(9 046)
Foreign exchange adjustments			—	(2 722)	(2 722)
Balance as at 31 March 2021			108 281	28 034	136 315

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

2 Comprises level 3 deposits by banks and derivative financial instruments.

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

For the year to 31 March 2021, loans and advances to customers of £7.8 million; other debt securities of £4.6 million; and derivative assets of £0.4 million were transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs are used to determine the fair value.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value hierarchy (continued)

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

For the year to 31 March 2021 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	62 643	52 085	10 558
Investment income*	(24 133)	2 158	(26 291)
Trading income/(loss) arising from customer flow	(2 389)	428	(2 817)
	36 121	54 671	(18 550)
Total gains or (losses) included in other comprehensive income for the year			
Losses on realisation on debt instruments at FVOCI recycled through the income statement	(1 009)	(1 009)	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(2 192)	—	(2 192)
	(3 201)	(1 009)	(2 192)

* Included within the investment income statement balance are unrealised gains of £10.3 million presented within operational items in the income statement.

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2021 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

	VALUATION BASIS/TECHNIQUE	MAIN ASSUMPTIONS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate and fund unit price
	Comparable quoted inputs	Discount rate and net assets
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
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

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:

At 31 March 2021	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	103 404	Potential impact on income statement		3 790	(10 320)
		Credit spreads	0.4%-3.3%	107	(198)
		Cash flow adjustments	CPR 4.4%	7	(7)
		Other [^]	^	3 676	(10 115)
Derivative financial instruments	26 805	Potential impact on income statement		5 232	(6 226)
		Volatilities	5.4%-21.4%	51	(148)
		Cash flow adjustments	CPR 4.4%	9	(9)
		Underlying asset value ^{^^}	^^	4 724	(4 724)
		Other [^]	^	448	(1 345)
Securities arising from trading activities	5 160	Potential impact on income statement			
		Cash flow adjustments	CPR 8.0%	1 310	(1 685)
Investment portfolio	336 951	Potential impact on income statement		35 801	(98 411)
		Price earnings multiple	4.2x-9.0x	5 560	(13 330)
		Discount rate	17.5%	2 179	(3 959)
		Underlying asset value ^{^^}	^^	2 561	(5 967)
		Other [^]	^	25 501	(75 155)
Loans and advances to customers	1 045 663	Potential impact on income statement		25 430	(43 612)
		Credit spreads	0.08%-37.3%	9 439	(14 745)
		Price earnings multiple	3.5x-4.1x	4 200	(2)
		Underlying asset value ^{^^}	^^	3 094	(8 932)
		Other [^]	^	8 697	(19 933)
		Potential impact on other comprehensive income			
		Credit spreads	0.12%-4.3%	5 590	(9 711)
Other securitised assets	107 259	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	1 554	(1 653)
Total level 3 assets	1 625 242			78 707	(171 618)
Liabilities					
Deposits by banks	294	Potential impact on income statement			
		Underlying asset value ^{^^}	^^	—	43
Derivative financial instruments	27 740	Potential impact on income statement		(4 749)	4 800
		Volatilities	5.4%-21.1%	(25)	76
		Underlying asset value ^{^^}	^^	(4 724)	4 724
Liabilities arising on securitisation of other assets*	108 281	Potential impact on income statement			
		Cash flow adjustments	CPR 4.4%	(213)	240
Total level 3 liabilities	136 315			(4 962)	5 083
Net level 3 assets	1 488 927				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

[^] Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.

^{^^} Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.

ADDITIONAL IAS 34 DISCLOSURES

CONTINUED

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

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

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

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flow valuation.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value of financial instruments at amortised cost

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

At 31 March 2021				
£'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate to carrying amounts
Assets				
Cash and balances at central banks	3 043 034	3 043 034	—	—
Loans and advances to banks	1 383 602	1 378 080	5 522	5 474
Reverse repurchase agreements and cash collateral on securities borrowed	1 389 791	1 118 428	271 363	271 992
Bank debt securities	4 263	4 263	—	—
Other debt securities	505 507	62 244	443 263	445 257
Loans and advances to customers	11 270 650	644 517	10 626 133	10 614 861
Other loans and advances	162 456	100 241	62 215	62 916
Other assets	951 818	951 545	273	256
	18 711 121	7 302 352	11 408 769	11 400 756
Liabilities				
Deposits by banks	1 351 985	241 046	1 110 939	1 119 997
Repurchase agreements and cash collateral on securities lent	157 357	109 636	47 721	47 803
Customer accounts (deposits)	16 240 634	10 069 791	6 170 843	6 213 235
Debt securities in issue	1 074 688	283 742	790 946	803 915
Other liabilities	612 006	607 745	4 261	3 660
Subordinated liabilities	436 677	—	436 677	455 188
	19 873 347	11 311 960	8 561 387	8 643 798

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

Financial impact of strategic actions

For the year to 31 March	2021	2020
£'000		
Closure and rundown of the Hong Kong direct investments business*	7 387	(89 257)
Financial impact of group restructures	—	(26 898)
Closure of Click & Invest	—	(4 309)
Sale of the Irish Wealth & Investment business	—	18 662
Restructure of the Irish branch	—	(41 110)
Other	—	(141)
Financial impact of strategic actions	7 387	(116 155)
Taxation on financial impact of strategic actions	(1 390)	19 856
Net financial impact of strategic actions	5 997	(96 299)

* Included within the balance are fair value gains of £10.3 million (31 March 2020: fair value losses of £83.2 million).

RESTATEMENTS

Income statement restatements

Depreciation on operating leased assets

Depreciation on operating leased assets of £0.7 million (31 March 2020: £1.4 million), which was previously reported as a separate line item, has been included in operating costs. The prior period has been restated to reflect the same basis.

Balance sheet restatements

Software and other acquired intangible assets

Software of £7.8 million (31 March 2020: £7.0 million), which was previously reported within intangible assets, is now reported as a separate line item. The prior period has been re-presented to reflect the same basis.

The re-presentation of software was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

Gilts and Total Return Swaps reclassification

As at 31 March 2021, amounts previously reported within sovereign debt securities, derivative financial instruments and securities arising from trading activities have been corrected to present them as reverse repurchase agreements and cash collateral on securities borrowed. This change in accounting treatment has been made where sovereign debt securities have been purchased at the same time as total return swaps with the same counterparty, such that the combined position has the economic substance similar to secured lending. The prior year balance sheet has been restated to give a consistent presentation. This change has no impact on the income statement.

The impact of this change on the 31 March 2020 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	1 627 246	831 576	2 458 822
Sovereign debt securities	1 688 670	(603 712)	1 084 958
Derivative financial instruments	1 251 394	(400)	1 250 994
Securities arising from trading activities	582 693	(326 048)	256 645
Total assets	24 669 539	(98 584)	24 570 955
Liabilities			
Derivative financial instruments	1 246 109	(98 584)	1 147 525
Total liabilities	22 338 367	(98 584)	22 239 783

The impact of this change on the 31 March 2019 balance sheet is:

£'000	At 31 March 2019 as previously reported	Reclassification	At 31 March 2019 restated
Assets			
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	660 017	1 293 219
Sovereign debt securities	1 298 947	(318 798)	980 149
Derivative financial instruments	642 530	(326)	642 204
Securities arising from trading activities	798 224	(369 104)	429 120
Total assets	22 121 020	(28 211)	22 092 809
Liabilities			
Derivative financial instruments	719 027	(28 211)	690 816
Total liabilities	19 957 792	(28 211)	19 929 581

ASSET QUALITY

 An analysis of gross core loans, asset quality and ECL

£million	31 March 2021	31 March 2020
Gross core loans	12 480	12 007
Gross core loans at FVPL	512	653
Gross core loans subject to ECL	11 968	11 354
Stage 1	10 398	10 399
Stage 2	1 238	576
of which past due greater than 30 days	90	31
Stage 3	332	379
of which Ongoing (excluding Legacy) Stage 3*	231	249
ECL	(169)	(175)
Stage 1	(27)	(37)
Stage 2	(41)	(31)
Stage 3	(101)	(107)
of which Ongoing (excluding Legacy) Stage 3*	(62)	(62)
Coverage ratio		
Stage 1	0.26%	0.36%
Stage 2	3.3%	5.4%
Stage 3	30.4%	28.2%
of which Ongoing (excluding Legacy) Stage 3*	26.8%	24.9%
Credit loss ratio	0.56%	0.69%
ECL impairment charges on core loans	(65)	(74)
Average gross core loans subject to ECL	11 662	10 609
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	231	272
of which Ongoing (excluding Legacy) Stage 3*	169	187
Aggregate collateral and other credit enhancements on Stage 3	235	274
Stage 3 as a % of gross core loans subject to ECL	2.8%	3.3%
of which Ongoing (excluding Legacy) Stage 3*	1.9%	2.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.0%	2.4%
of which Ongoing (excluding Legacy) Stage 3*	1.4%	1.7%

* Refer to definitions on page 26. Our exposure (net of ECL) to the UK Legacy portfolio has reduced from £111 million at 31 March 2020 to £84 million at 31 March 2021. These assets are substantially impaired and are largely reported under Stage 3.

ASSET QUALITY
CONTINUED

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

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

ASSET QUALITY
CONTINUED

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

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

ASSET QUALITY
 CONTINUED

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

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
£'million										
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	189	(2)	115	(2)	—	—	304	(4)	14	318
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	452	(2)	113	(2)	9	(3)	574	(7)	144	718
Asset finance	1 527	(10)	284	(11)	58	(36)	1 869	(57)	135	2 004
Small ticket asset finance	1 060	(9)	202	(10)	29	(16)	1 291	(35)	—	1 291
Motor finance	467	(1)	82	(1)	6	(2)	555	(4)	—	555
Large ticket asset finance	—	—	—	—	23	(18)	23	(18)	135	158
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	4 723	(25)	987	(36)	104	(44)	5 814	(105)	475	6 289
Coverage ratio	0.53%		3.6%		42.3%		1.8%			
At 31 March 2020										
Corporate and acquisition finance	1 524	(17)	147	(6)	40	(21)	1 711	(44)	91	1 802
Asset-based lending	367	(2)	36	(1)	—	—	403	(3)	20	423
Fund finance	1 293	(2)	—	—	—	—	1 293	(2)	21	1 314
Other corporate and financial institutions and governments	574	(2)	4	—	13	(1)	591	(3)	170	761
Asset finance	1 603	(11)	165	(8)	53	(30)	1 821	(49)	185	2 006
Small ticket asset finance	1 246	(10)	99	(6)	25	(14)	1 370	(30)	—	1 370
Motor finance	332	(1)	44	(1)	3	(1)	379	(3)	—	379
Large ticket asset finance	25	—	22	(1)	25	(15)	72	(16)	185	257
Power and infrastructure finance	339	—	77	(3)	8	—	424	(3)	80	504
Resource finance	51	—	—	—	—	—	51	—	—	51
Total corporate and other lending	5 751	(34)	429	(18)	114	(52)	6 294	(104)	567	6 861
Coverage ratio	0.59%		4.2%		45.6%		1.7%			

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	31 March 2021*	31 March 2020*#
Common equity tier 1 ratio **	11.8%	11.5%
Common equity tier 1 ratio (fully loaded) ***	11.3%	11.1%
Tier 1 ratio **	13.4%	13.1%
Total capital ratio **	16.4%	16.5%
Leverage ratio ^	8.0%	8.0%
Leverage ratio (fully loaded) ^ ***	7.7%	7.8%
Leverage ratio (UK leverage ratio framework) ^ ^^	9.4%	9.2%

Capital structure and capital adequacy

£'million	31 March 2021*	31 March 2020*
Shareholder's equity	2 081	2 061
Shareholder's equity excluding non-controlling interests	2 114	2 078
Foreseeable charges and dividends	(25)	—
Deconsolidation of special purpose entities	(8)	(17)
Non-controlling interests	—	—
Non-controlling interests per balance sheet	—	3
Non-controlling interests excluded for regulatory purposes	—	(3)
Regulatory adjustments to the accounting basis	99	91
Additional value adjustments	(6)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	12	12
Adjustment under IFRS 9 transitional arrangements	93	86
Deductions	(312)	(333)
Goodwill and intangible assets net of deferred taxation	(298)	(315)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(12)	(18)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(2)	—
Common equity tier 1 capital	1 868	1 819
Additional Tier 1 instruments	250	250
Total tier 1 capital	2 118	2 069
Tier 2 capital	473	533
Tier 2 instruments	473	533
Total regulatory capital	2 591	2 602
Risk-weighted assets **	15 789	15 808

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

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2021 of £3 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

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

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

Where applicable, the 31 March 2020 leverage ratio comparatives have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 18.

CAPITAL ADEQUACY
CONTINUED

Risk-weighted assets and capital requirements

£'millions	Risk-weighted assets **		Capital requirements **	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	15 789	15 808	1 263	1 265
Credit risk	12 413	12 145	992	972
Equity risk	117	125	10	10
Counterparty credit risk	691	922	55	74
Credit valuation adjustment risk	59	59	5	5
Market risk	778	726	63	58
Operational risk	1 731	1 831	138	146

Leverage

£'millions	31 March 2021*	31 March 2020*#
Total exposure measure	26 351	25 719
Tier 1 capital **	2 118	2 069
Leverage ratio ^	8.0%	8.0%
Leverage ratio (fully loaded) ^ ***	7.7%	7.8%
Leverage ratio (UK leverage ratio framework) ^ ^^	9.4%	9.2%

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

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 and full adoption of all CRD IV rules. As a result of the adoption of IFRS 9, IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2021 of £3 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

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

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

Where applicable, the 31 March 2020 comparatives have been restated to account for the reclassification of gilts and total return swaps. The restatements are detailed on page 18.


ANNEXURE 1 – ALTERNATIVE PERFORMANCE MEASURES



We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.


Adjusted operating profit	Refer to the calculation in the table below	
£'000	31 March 2021	31 March 2020
Operating profit before goodwill, acquired intangibles and strategic actions	107 440	174 468
Add: Loss/(profit) attributable to non-controlling interests	861	(864)
Adjusted operating profit	108 301	173 604

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.	

£'million	31 March 2021	31 March 2020
Loans and advances to customers per the balance sheet	12 316	11 834
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(2)
Net core loans	12 311	11 832
of which amortised cost and FVOCI ('subject to ECL')	11 799	11 179
of which FVPL	512	653
Add: ECL	169	175
Gross core loans	12 480	12 007
of which amortised cost and FVOCI ('subject to ECL')	11 968	11 354
of which FVPL	512	653

Cost to income ratio	Refer to calculation in the table below	
£'000	31 March 2021	31 March 2020
Operating costs [^] (A)	757 758	707 033
Total operating income before expected credit loss impairment charges	936 332	957 207
Add: Loss/(profit) attributable to non-controlling interests	861	(864)
Total (B)	937 193	956 343
Cost to income ratio (A/B)	80.9%	73.9%

[^] Restated as detailed on page 18.

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
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	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

Funds under management

Consists of funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, loans and advances, other debt securities, other loans and advances and finance lease receivables.



Refer to page 9 for calculation

Interest-bearing liabilities

Deposits by banks, customer accounts (deposits), repurchase agreements and cash collateral on securities lent, debt securities in issue, lease liabilities and subordinated liabilities.



Refer to page 9 for calculation

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Subject to ECL

Includes financial assets held at amortised cost and FVOCI

— OUT OF THE ORDINARY

