

Built on strong foundations

Investec Limited (excluding results of Investec plc)

Unaudited condensed financial information
for the year ended 31 March 2021



OVERVIEW OF RESULTS

Introduction

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 28.
- All other definitions can be found on page 29.

Key financial statistics - continuing operations	31 March 2021	31 March 2020	% change
Total operating income before expected credit losses (R'million)	14 188	15 939	(11.0%)
Operating costs (R'million)	8 457	8 307	1.8%
Operating profit before goodwill and acquired intangibles (R'million)	5 110	6 523	(21.7%)
Headline earnings attributable to ordinary shareholders (R'million)	4 206	4 309	(2.4%)
Cost to income ratio	59.6%	56.6%	
Total capital resources (including subordinated liabilities) (R'million)	75 482	71 058	6.2%
Total equity (R'million)	61 037	56 675	7.7%
Total assets (R'million)	550 149	575 387	(4.4%)
Net core loans and advances (R'million)	287 315	288 878	(0.5%)
Customer accounts (deposits) (R'million)	374 228	375 456	(0.3%)
Loans and advances to customers as a % of customer accounts (deposits)	74.6%	75.0%	
Cash and near cash balances (R'million)	129 759	147 169	(11.8%)
Funds under management (R'million)	340 618	255 938	33.1%
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.0x	10.1x	
Total capital adequacy ratio	16.0%	15.0%	
Tier 1 ratio	12.9%	11.5%	
Common equity tier 1 ratio	12.2%	10.9%	
Leverage ratio – current	7.6%	6.4%	
Leverage ratio – ‘fully loaded’	7.5%	6.3%	
Stage 3 as a % of gross core loans subject to ECL	2.6%	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%	0.36%	

CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	Year to 31 March 2021	Year to 31 March 2020 [^]
Interest income	26 400	35 679
Interest expense	(18 362)	(27 394)
Net interest income	8 038	8 285
Fee and commission income	6 127	6 730
Fee and commission expense	(603)	(645)
Investment income	284	512
Share of post taxation (loss)/profit of associates and joint venture holdings	(145)	311
Trading income/(loss) arising from		
– customer flow	959	197
– balance sheet management and other trading income	(621)	544
Other operating income	149	5
Total operating income before expected credit loss impairment charges	14 188	15 939
Expected credit loss impairment charges	(621)	(1 109)
Operating income	13 567	14 830
Operating costs	(8 457)	(8 307)
Operating profit before goodwill and acquired intangibles	5 110	6 523
Impairment of goodwill	(7)	(3)
Amortisation of acquired intangibles	(51)	(51)
Impairment of associates and joint venture holdings	(348)	(937)
Profit before taxation	4 704	5 532
Taxation on operating profit before acquired intangibles	(1 050)	(1 042)
Taxation on acquired intangibles and financial impact on group structures	14	14
Profit after taxation from continuing operations	3 668	4 504
Profit after taxation from discontinued operations	—	6 674
Profit after taxation	3 668	11 178
Loss/(profit) attributable to other non-controlling interests	2	(1 258)
Profit attributable to non-controlling interests of discontinued operations	—	(210)
Loss attributable to other non-controlling interests relating to impairments in associates	189	—
Earnings attributable to shareholders	3 859	9 710

[^] Restated as detailed on page 21.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

R'million	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation from continuing operations	3 668	4 504
Other comprehensive income from continuing operations:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	11	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	2 051	(1 888)
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	(33)	(79)
Foreign currency adjustments on translating foreign operations	(1 278)	1 366
Items that will never be reclassified to the income statement		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	885	138
Net (loss)/gain attributable to own credit risk*	(14)	1
Total comprehensive income from continuing operations	5 290	3 423
Total comprehensive income attributable to ordinary shareholders from continuing operations	5 065	1 663
Total comprehensive (loss)/income attributable to non-controlling interests	(191)	1 258
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	416	502
Total comprehensive income from continuing operations	5 290	3 423
Profit after taxation from discontinued operations	—	6 674
Other comprehensive income from discontinued operations:		
Items that may be reclassified to the income statement		
Foreign currency adjustments on translating foreign operations	—	4
Total comprehensive income from discontinued operations	—	6 678
Total comprehensive income attributable to ordinary shareholders	—	6 468
Total comprehensive income attributable to non-controlling interests	—	210
Total comprehensive income from discontinued operations	—	6 678
Profit after taxation from the group	3 668	11 178
Other comprehensive income from the total group:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	11	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	2 051	(1 888)
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	(33)	(79)
Foreign currency adjustments on translating foreign operations	(1 278)	1 370
Items that will never be reclassified to the income statement		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	885	138
Net (loss)/gain attributable to own credit risk*	(14)	1
Total comprehensive income from the total group	5 290	10 101
Total comprehensive income attributable to ordinary shareholders	5 065	8 131
Total comprehensive (loss)/income attributable to non-controlling interests	(191)	1 468
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	416	502
Total comprehensive income from the total group	5 290	10 101

* These amounts are net of taxation expense/(credit) of R1.1 billion [2020: (R1.2 billion)].

HEADLINE EARNINGS

R'million	Year to 31 March 2021	Year to 31 March 2020
Continuing operations		
Continuing earnings attributable to shareholders	3 859	3 246
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(416)	(502)
Gain on redemption of perpetual preference shares	71	—
Continuing earnings attributable to ordinary shareholders	3 514	2 744
Headline adjustments	692	1 190
Revaluation of investment properties*	305	243
Headline adjustments of equity accounted associates	196	7
Impairment of goodwill	7	3
Impairment of associates and joint venture holdings	348	937
Loss attributable to other non-controlling interests relating to impairments in associates	(189)	—
Other headline adjustments^	25	—
Continuing headline earnings attributable to ordinary shareholders	4 206	3 934
Discontinued operations		
Discontinued earnings attributable to ordinary shareholders	—	6 464
Gain on partial disposal of subsidiary*	—	(6 089)
Discontinued headline earnings attributable to ordinary shareholders	—	375
Earnings attributable to shareholders	3 859	9 710
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(416)	(502)
Gain on redemption of perpetual preference shares	71	—
Earnings attributable to ordinary shareholders	3 514	9 208
Headline adjustments	692	(4 899)
Revaluation of investment properties*	305	243
Headline adjustments of equity accounted associates	196	7
Gain on partial disposal of subsidiary*	—	(6 089)
Impairment of goodwill	7	3
Impairment of associates and joint venture holdings	348	937
Loss attributable to other non-controlling interests relating to impairments in associates	(189)	—
Other headline adjustments^	25	—
Headline earnings attributable to ordinary shareholders	4 206	4 309

* These amounts are net of taxation of R89.6 million (2020: R52.6 million); with a (R775.7 million) [2020: (R339.8million)] impact on earnings attributable to non-controlling interests.

^ Other headline adjustments predominantly relates to write down of associate.

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	26 983	19 536
Non-sovereign and non-bank cash placements	8 956	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	30 756	29 626
Sovereign debt securities	53 009	64 358
Bank debt securities	21 862	12 265
Other debt securities	14 148	17 337
Derivative financial instruments	19 186	17 431
Securities arising from trading activities	15 202	10 366
Investment portfolio	15 131	16 564
Loans and advances to customers	279 131	281 686
Own originated loans and advances to customers securitised	8 184	7 192
Other loans and advances	181	242
Other securitised assets	578	497
Interests in associated undertakings and joint venture holdings	5 624	6 924
Deferred taxation assets	2 767	2 996
Other assets	16 368	12 845
Property and equipment	2 942	3 093
Investment properties	16 942	19 137
Goodwill	212	219
Software	95	149
Other acquired intangible assets	118	169
Non-current assets classified as held for sale	1 054	1 305
	549 082	574 607
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 067	780
	550 149	575 387
Liabilities		
Deposits by banks	22 052	46 833
Derivative financial instruments	26 154	22 469
Other trading liabilities	5 643	8 660
Repurchase agreements and cash collateral on securities lent	17 598	26 626
Customer accounts (deposits)	374 228	375 456
Debt securities in issue	6 493	7 634
Liabilities arising on securitisation of own originated loans and advances	3 271	1 699
Current taxation liabilities	854	541
Deferred taxation liabilities	743	517
Other liabilities	16 564	13 114
	473 600	503 549
Liabilities to customers under investment contracts	1 014	727
Insurance liabilities, including unit-linked liabilities	53	53
	474 667	504 329
Subordinated liabilities	14 445	14 383
	489 112	518 712
Equity		
Ordinary share capital	1	1
Ordinary share premium	6 112	6 112
Treasury shares	(3 020)	(2 992)
Other reserves	2 543	903
Retained income	39 065	35 878
Ordinary shareholders' equity	44 701	39 902
Perpetual preference shares in issue	3 039	3 184
Shareholders' equity excluding non-controlling interests	47 740	43 086
Other Additional Tier 1 securities in issue	1 733	1 010
Non-controlling interests	11 564	12 579
– Perpetual preferred securities issued by subsidiaries	1 481	1 534
– Non-controlling interests in partially held subsidiaries	10 083	11 045
Total equity	61 037	56 675
Total liabilities and equity	550 149	575 387

[^] Restated as detailed on page 21.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'million	Ordinary share capital	Share premium	Treasury shares
At 1 April 2019	1	10 392	(1 881)
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Net gain attributable to own credit risk	—	—	—
Total comprehensive income for the year	—	—	—
Net equity movements in interests in associated undertakings	—	—	—
Movement of treasury shares	—	—	(1 460)
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	349
Transfer from regulatory general risk reserves	—	—	—
Disposal of group operations	—	—	—
Movement in non-controlling interests due to share issues in subsidiary	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 securities	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
Distribution on demerger	—	(4 280)	—
At 31 March 2020	1	6 112	(2 992)
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Net gain attributable to own credit risk	—	—	—
Total comprehensive income for the year	—	—	—
Issue of other Additional Tier 1 security instruments	—	—	—
Net equity movements in interests in associated undertakings	—	—	—
Movement of treasury shares	—	—	(50)
Share-based payments adjustments	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	22
Transfer from regulatory general risk reserves	—	—	—
Net equity impact of non-controlling interests movements	—	—	—
Redemption of perpetual preference shares	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 securities	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 31 March 2021	1	6 112	(3 020)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Other reserves												
Capital reserve account	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
61	90	765	(931)	25	2 045	29 398	39 965	3 184	43 149	1 010	11 456	55 615
—	—	—	—	—	—	9 710	9 710	—	9 710	—	1 468	11 178
—	—	—	(619)	—	—	—	(619)	—	(619)	—	—	(619)
—	(1 888)	—	—	—	—	—	(1 888)	—	(1 888)	—	—	(1 888)
—	(79)	—	—	—	—	—	(79)	—	(79)	—	—	(79)
—	138	—	—	—	—	—	138	—	138	—	—	138
—	—	—	—	—	1 370	—	1 370	—	1 370	—	—	1 370
—	—	—	—	1	—	—	1	—	1	—	—	1
—	(1 829)	—	(619)	1	1 370	9 710	8 633	—	8 633	—	1 468	10 101
—	—	—	—	—	—	(44)	(44)	—	(44)	—	—	(44)
—	—	—	—	—	—	—	(1 460)	—	(1 460)	—	—	(1 460)
—	—	—	—	—	—	592	592	—	592	—	—	592
—	—	—	—	—	—	(156)	(156)	—	(156)	—	—	(156)
—	—	—	—	—	—	(349)	—	—	—	—	—	—
—	—	(75)	—	—	—	75	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	(221)	(221)
—	—	—	—	—	—	(91)	(91)	—	(91)	—	960	869
—	—	—	—	—	—	(502)	(502)	254	(248)	117	131	—
—	—	—	—	—	—	—	—	(254)	(254)	(117)	(131)	(502)
—	—	—	—	—	—	(2 755)	(2 755)	—	(2 755)	—	—	(2 755)
—	—	—	—	—	—	—	—	—	—	—	(1 084)	(1 084)
—	—	—	—	—	—	—	(4 280)	—	(4 280)	—	—	(4 280)
61	(1 739)	690	(1 550)	26	3 415	35 878	39 902	3 184	43 086	1 010	12 579	56 675
—	—	—	—	—	—	3 859	3 859	—	3 859	—	(191)	3 668
—	—	—	11	—	—	—	11	—	11	—	—	11
—	2 051	—	—	—	—	—	2 051	—	2 051	—	—	2 051
—	(33)	—	—	—	—	—	(33)	—	(33)	—	—	(33)
—	885	—	—	—	—	—	885	—	885	—	—	885
—	—	—	—	—	(1 278)	—	(1 278)	—	(1 278)	—	—	(1 278)
—	—	—	—	(14)	—	—	(14)	—	(14)	—	—	(14)
—	2 903	—	11	(14)	(1 278)	3 859	5 481	—	5 481	—	(191)	5 290
—	—	—	—	—	—	—	—	—	—	723	—	723
—	—	—	—	—	—	3	3	—	3	—	—	3
—	—	—	—	—	—	—	(50)	—	(50)	—	—	(50)
—	—	—	—	—	—	436	436	—	436	—	—	436
—	—	—	—	—	—	(22)	—	—	—	—	—	—
—	—	18	—	—	—	(18)	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	(80)	(80)
—	—	—	—	—	—	71	71	(145)	(74)	—	(53)	(127)
—	—	—	—	—	—	(416)	(416)	212	(204)	94	110	—
—	—	—	—	—	—	—	—	(212)	(212)	(94)	(110)	(416)
—	—	—	—	—	—	(726)	(726)	—	(726)	—	—	(726)
—	—	—	—	—	—	—	—	—	—	—	(691)	(691)
61	1 164	708	(1 539)	12	2 137	39 065	44 701	3 039	47 740	1 733	11 564	61 037

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

For the year to 31 March 2021 R'million	Specialist Banking [^]		Corporate, Investment Banking and Other	Group investments	Group costs	Total group
	Private Client	Private Banking				
Net interest income/(expense)	72	4 651	4 237	(922)	—	8 038
Net fee and commission income	1 671	960	1 926	967	—	5 524
Investment income/(loss)	31	19	(208)	442	—	284
Share of post taxation (loss)/profit of associates and joint venture holdings	—	(8)	(23)	(114)	—	(145)
Trading income/(loss) arising from						
– customer flow	—	(1)	778	182	—	959
– balance sheet management and other trading activities	1	1	(151)	(472)	—	(621)
Other operating income	—	—	149	—	—	149
Total operating income before expected credit loss impairment charges	1 775	5 622	6 708	83	—	14 188
Expected credit loss impairment charges	—	(34)	(535)	(52)	—	(621)
Operating income	1 775	5 588	6 173	31	—	13 567
Operating costs	(1 221)	(2 981)	(3 888)	(43)	(324)	(8 457)
Operating profit before goodwill, acquired intangibles and non-controlling interests	554	2 607	2 285	(12)	(324)	5 110
Loss/(profit) attributable to non-controlling interests	—	—	6	(4)	—	2
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	554	2 607	2 291	(16)	(324)	5 112
Cost to income ratio	68.8%	53.0%	57.9 %	n/a	n/a	59.6%
Total assets (R'million)	6 359	210 421	298 586	34 783	n/a	550 149

[^] In terms of IFRS 8 Operating segments, the above operating segments were changed after management concluded that key operating decision makers of the Investec group reviewed the operating results of the following operating segments:

- Investec Private Banking
- Investec Corporate, Investment Banking and Other
- Investec Wealth & Investment
- Group Investments
- Group costs

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

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION
CONTINUED

For the year to 31 March 2020 R'million	Specialist Banking [^]		Corporate, Investment Banking and Other	Group investments	Group costs	Total group
	Private Client	Wealth & Investment				
Net interest income/(expense)	72	4 894	4 384	(1 065)	—	8 285
Net fee and commission income	1 582	1 046	2 092	1 365	—	6 085
Investment (loss)/income	(3)	263	(422)	674	—	512
Share of post taxation (loss)/profit of associates and joint venture holdings	—	(23)	(1)	335	—	311
Trading (loss)/income arising from						
– customer flow	(3)	1	526	(327)	—	197
– balance sheet management and other trading activities	(1)	8	(69)	606	—	544
Other operating income	—	1	4	—	—	5
Total operating income before expected credit loss impairment charges	1 647	6 190	6 514	1 588	—	15 939
Expected credit loss impairment charges	—	(378)	(569)	(162)	—	(1 109)
Operating income	1 647	5 812	5 945	1 426	—	14 830
Operating costs	(1 146)	(3 226)	(3 575)	(25)	(335)	(8 307)
Operating profit before goodwill, acquired intangibles and non-controlling interests	501	2 586	2 370	1 401	(335)	6 523
Profit attributable to non-controlling interests	—	—	—	(1 258)	—	(1 258)
Adjusted operating profit from continuing operations	501	2 586	2 370	143	(335)	5 265
Operating profit from discontinued operations						1 270
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	501	2 586	2 370	143	(335)	6 535
Cost to income ratio	69.6%	52.1%	54.9 %	n/a	n/a	56.6%
Total assets (R'million)	7 347	205 809	322 027	40 204	—	575 387

[^] In terms of IFRS 8 Operating segments, the above operating segments were changed after management concluded that key operating decision makers of the Investec group reviewed the operating results of the following operating segments:

- Investec Private Banking
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ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the year to 31 March R'million	2021			2020 [^]			
	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	166 343	5 460	3.28%	138 735	7 961	5.74%
Net core loans and advances	2	286 005	19 815	6.93%	275 163	26 375	9.59%
Private client		206 600	13 591	6.58%	196 445	18 538	9.44%
Corporate, Investment Banking and Other		79 405	6 224	7.84%	78 718	7 837	9.96%
Other debt securities and other loans and advances		16 212	899	5.55%	15 037	812	5.40%
Other	3	309	226	n/a	335	531	n/a
Total interest-earning assets		468 869	26 400		429 270	35 679	

For the year to 31 March R'million	2021			2020			
	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	70 930	(2 068)	2.92%	59 220	(2 511)	4.24%
Customer accounts (deposits)		368 848	(14 963)	4.06%	347 935	(23 337)	6.71%
Subordinated liabilities	5	13 986	(953)	6.81%	15 084	(1 171)	7.76%
Other		2 742	(378)	n/a	1 973	(375)	n/a
Total interest-bearing liabilities		456 506	(18 362)		424 212	(27 394)	
Net interest income			8 038			8 285	
Net interest margin*			1.71%			1.93%	

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been: 1.72% (2020[^]: 1.82%).

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks and 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 other securitised assets (as per the balance sheet), 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.
- * Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.3% (2020:24.3%) interest. Excluding the debt funding cost, the net interest margin amounted to 1.84% (2020: 2.06%)

[^] Restated as detailed on page 21.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

Net fee and commission income

For the year to 31 March R'million	2021	2020 [^]
Wealth & Investment net fee and commission income	1 671	1 582
Fund management fees/fees for funds under management	935	845
Private client transactional fees	774	773
Fee and commission expense	(38)	(36)
Specialist Banking net fee and commission income	2 886	3 138
Specialist Banking fee and commission income	3 368	3 747
Specialist Banking fee and commission expense	(482)	(609)
Group Investments net fee and commission income	967	1 365
Net fee and commission income	5 524	6 085
Annuity fees (net of fees payable)	4 490	4 930
Deal fees	1 034	1 155

[^] Restated as detailed on page 21.

Included in Specialist Banking fee and commission income is fee income of R1.4 billion (2020: R1.7 billion) for operating lease income which is out of scope of IFRS 15 Revenue from Contracts with Customers.

Investment income

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	Investment portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
2021									
Realised	302	(44)	—	51	309	63	26	342	740
Unrealised [^]	116	(140)	381	—	357	(19)	(990)	(173)	(825)
Dividend income	197	97	—	—	294	—	—	1	295
Funding and other net related (costs)/ income	—	(24)	—	—	(24)	—	98	—	74
	615	(111)	381	51	936	44	(866)	170	284
2020									
Realised	27	112	—	162	301	110	(6)	—	405
Unrealised [^]	(128)	(205)	1 127	1	795	111	(879)	(240)	(213)
Dividend income	186	232	—	—	418	—	—	—	418
Funding and other net related (costs)/ income	—	(36)	—	—	(36)	—	(62)	—	(98)
	85	103	1 127	163	1 478	221	(947)	(240)	512

[^] 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	—	26 983	—	26 983
Non-sovereign and non-bank cash placements	23	8 933	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	18 279	—	30 756
Sovereign debt securities	43 878	9 131	—	53 009
Bank debt securities	16 870	4 992	—	21 862
Other debt securities	8 693	5 455	—	14 148
Derivative financial instruments	19 186	—	—	19 186
Securities arising from trading activities	15 202	—	—	15 202
Investment portfolio	15 131	—	—	15 131
Loans and advances to customers	23 864	255 267	—	279 131
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	—	—	5 624	5 624
Deferred taxation assets	—	—	2 767	2 767
Other assets	3 807	8 686	3 875	16 368
Property and equipment	—	—	2 942	2 942
Investment properties	—	—	16 942	16 942
Goodwill	—	—	212	212
Software	—	—	95	95
Other intangible assets	—	—	118	118
Non-current assets classified as held for sale	832	—	222	1 054
	159 963	356 322	32 797	549 082
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 067	—	—	1 067
	161 030	356 322	32 797	550 149
Liabilities				
Deposits by banks	—	22 052	—	22 052
Derivative financial instruments	26 154	—	—	26 154
Other trading liabilities	5 643	—	—	5 643
Repurchase agreements and cash collateral on securities lent	4 357	13 241	—	17 598
Customer accounts (deposits)	21 310	352 918	—	374 228
Debt securities in issue	—	6 493	—	6 493
Liabilities arising on securitisation of own originated loans and advances	—	3 271	—	3 271
Current taxation liabilities	—	—	854	854
Deferred taxation liabilities	—	—	743	743
Other liabilities	2 184	9 195	5 185	16 564
	59 648	407 170	6 782	473 600
Liabilities to customers under investment contracts	1 014	—	—	1 014
Insurance liabilities, including unit-linked liabilities	53	—	—	53
	60 715	407 170	6 782	474 667
Subordinated liabilities	—	14 445	—	14 445
	60 715	421 615	6 782	489 112

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	19 186	—	19 186	—
Securities arising from trading activities	15 202	15 103	99	—
Investment portfolio	15 131	4 501	31	10 599
Loans and advances to customers	23 864	—	23 829	35
Other assets	3 807	3 807	—	—
Non-current assets classified as held for sale	832	—	—	832
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 067	1 067	—	—
	161 030	77 946	71 618	11 466
Liabilities				
Derivative financial instruments	26 154	934	25 220	—
Other trading liabilities	5 643	2 302	3 341	—
Repurchase agreements and cash collateral on securities lent	4 357	—	4 357	—
Customer accounts (deposits)	21 310	—	21 310	—
Other liabilities	2 184	—	1 256	928
Liabilities to customers under investment contracts	1 014	—	1 014	—
Insurance liabilities, including unit-linked liabilities	53	—	53	—
	60 715	3 236	56 551	928
Net financial assets at fair value	100 315	74 710	15 067	10 538

Transfers between level 1 and level 2

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

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2020	11 168	760	—	11 928
Net losses included in the income statement	(450)	(17)	—	(467)
Purchases	2 141	1	—	2 142
Sales	(482)	(11)	—	(493)
Settlements	(135)	(698)	—	(833)
Transfers to non-current assets classified as held for sale	(832)	—	832	—
Foreign exchange adjustments	(811)	—	—	(811)
Balance at 31 March 2021	10 599	35	832	11 466

R'million	Other liabilities	Total
Balance at 1 April 2020	13	13
Total losses included in the income statement	61	61
Issues	854	854
Balance at 31 March 2021	928	928

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/(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 gains/(losses) included in the income statement for the year			
Net interest expense	(26)	—	(26)
Investment income	(538)	(45)	(493)
Trading income arising from balance sheet management and other trading activities	36	—	36
	(528)	(45)	(483)

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 following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2021	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement	
					Favourable changes R'million	Unfavourable changes R'million
Assets						
Investment portfolio	10 599				1 393	(1 306)
		Price earnings	EBITDA	*	616	(482)
		Discounted cash flow	Discount rate	13%-17%	7	(4)
		Discounted cash flow	Cash flows	**	38	(28)
		Net asset value	Underlying asset value	^	42	(75)
		Discounted cash flow	Precious and industrial metal prices	(5%)- 5%	27	(27)
		Discounted cash flow	Property prices	(10%)-10%	655	(655)
		Other Net asset value	Various Underlying asset value	**	8	(35)
Loans and advances to customers	35				4	(4)
Non-current assets held for sale	832				49	(52)
		Discounted cash flow	Discount rate	13%-15%	13	(16)
		Discounted cash flow	Property prices	(10%)-10%	36	(36)
Total level 3 assets	11 466				1 446	(1 362)
Liabilities						
Other liabilities	928	Discounted cash flow	Property prices	(10%)-10%	93	(93)
Total level 3 liabilities	928				93	(93)
Net level 3 assets	10 538				1 539	(1 455)

* 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 for the certain equity investments has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.

^ Underlying asset values are calculated by reference to a tangible asset.

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

Price-earnings multiple

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

EBITDA

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

Property values and precious and industrial metals

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

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.

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.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Measurement of 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 when 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	Discounted cash flow model	Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	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
Liabilities to customers under investment contracts	Current price of underlying unitised assets	Listed prices
Insurance liabilities, including unit-linked liabilities	Current price of underlying unitised assets	Listed prices

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 do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts
Assets				
Cash and balances at central banks	9 653	9 653	—	—
Loans and advances to banks	26 983	26 983	—	—
Non-sovereign and non-bank cash placements	8 933	8 933	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	18 279	1 641	16 638	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	5 455	4 511	944	987
Loans and advances to customers	255 267	242 224	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	8 686	8 686	—	—
	356 322	313 287	43 035	43 491
Liabilities				
Deposits by banks	22 052	5 210	16 842	17 053
Repurchase agreements and cash collateral on securities lent	13 241	1 006	12 235	12 281
Customer accounts (deposits)	352 918	199 373	153 545	153 923
Debt securities in issue	6 493	5 146	1 347	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	9 195	9 195	—	—
Subordinated liabilities	14 445	3 145	11 300	13 291
	421 615	226 346	195 269	197 914

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

DISCONTINUED OPERATIONS

Discontinued operations

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

The table below presents the income statement from discontinued operations for the year ended 31 March 2020.

R'million	Year to 31 March 2020
Net interest income	74
Fee and commission income	3 631
Fee and commission expense	(95)
Trading income arising from	
– balance sheet management and other trading liabilities	(2)
Other operating income	14
Operating income	3 622
Operating costs	(2 143)
Operating profit before goodwill, acquired intangibles, strategic actions and non-controlling interests	1 479
Profit attributable to non-controlling interests from discontinued operations	(210)
Operating profit	1 269
Gain on partial disposal of subsidiary and implementation costs	5 900
Profit before taxation	7 169
Taxation on operating profit before goodwill, acquired intangibles and strategic actions and acquired intangibles	(395)
Taxation on acquired intangibles and partial disposal of subsidiary	(310)
Earnings attributable to shareholders from discontinued operations	6 464

RESTATEMENTS

Income statement restatements

Interest income and fee and commission income restatement

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

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

The impact of this change 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	35 949	(270)	35 679
Fee and commission income	6 460	270	6 730

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 R3 039 million (2020: R3 184 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	290 044	292 238
of which FVPL (excluding fixed rate loans [^])	1 576	2 384
Gross core loans subject to ECL*	288 468	289 854
Stage 1	266 061	270 105
Stage 2	14 969	15 289
of which past due greater than 30 days	272	1 297
Stage 3	7 438	4 460
ECL	(2 729)	(3 360)
Stage 1	(985)	(1 057)
Stage 2	(416)	(423)
Stage 3	(1 328)	(1 880)
Coverage ratio		
Stage 1	0.37%	0.39%
Stage 2	2.8%	2.8%
Stage 3	17.9%	42.2%
Credit loss ratio	0.18%	0.36%
ECL impairment charges on core loans	(520)	(1 021)
Average gross core loans subject to ECL	289 161	280 856
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	6 110	2 580
Aggregate collateral and other credit enhancements on Stage 3	8 253	2 696
Stage 3 as a % of gross core loans subject to ECL	2.6%	1.5%
Total ECL as a % of Stage 3 exposure	36.7%	75.3%
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

R'million	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			
	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 %		1.0 %			
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

R'million	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			
	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	65 295	(261)	1 063	(20)	1 471	(324)	67 829	(605)	— 67 829	
Total high net worth and other private client lending	141 899	(394)	4 695	(154)	2 862	(642)	149 456	(1 190)	— 149 456	
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	65 682	(261)	2 061	(126)	499	(421)	68 242	(808)	— 68 242	
Total high net worth and other private client lending	139 722	(329)	4 515	(182)	1 703	(711)	145 940	(1 222)	— 145 940	
Coverage ratio	0.24%		4.0%		41.8%		0.8%			

[^] 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

R'million	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			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2021										
Corporate and acquisition finance	46 429	(217)	6 425	(160)	1 717	(339)	54 571	(716)	1 576	56 147
Fund finance	7 624	(29)	—	—	—	—	7 624	(29)	—	7 624
Financial institutions and governments	3 355	(4)	156	(4)	3	—	3 514	(8)	—	3 514
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	70 069	(335)	7 229	(178)	2 274	(402)	79 572	(915)	1 576	81 148
Coverage ratio	0.48%		2.5%		17.7%		1.2%			
At 31 March 2020[^]										
Corporate and acquisition finance	45 713	(252)	7 391	(220)	1 838	(535)	54 942	(1 007)	1 780	56 722
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	73 688	(333)	9 408	(235)	2 194	(1 059)	85 290	(1 627)	2 384	87 674
Coverage ratio	0.45%		2.5%		48.3%		1.9%			

[^] 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.

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	FIRB	Increased AIRB Scope *	FIRB
R'million	31 March 2021 [^]	31 March 2021 [^]	31 March 2020 [^]
Common equity tier 1 (as reported)	12.2%	12.8%	10.9%
Common equity tier 1 (fully loaded) ^{^^}	12.2%	12.8%	10.9%
Tier 1 (as reported)	12.9%	13.4%	11.5%
Total capital adequacy ratio (as reported)	16.0%	16.6%	15.0%
Leverage ratio ^{**}	7.6%	7.6%	6.4%
Leverage ratio ^{**} – fully loaded ^{^^}	7.5%	7.5%	6.3%

Capital structure and capital adequacy

	FIRB	Increased AIRB Scope *	FIRB
R'million	31 March 2021 [^]	31 Mar 2021 [^]	31 March 2020 [^]
Shareholders' equity	44 700	44 700	39 903
Shareholders' equity per balance sheet	47 739	47 739	43 086
Perpetual preference share capital and share premium	(3 039)	(3 039)	(3 183)
Non-controlling interests	—	—	—
Non-controlling interests per balance sheet	10 083	10 083	11 045
Non-controlling interests excluded for regulatory purposes	(10 083)	(10 083)	(11 045)
Regulatory adjustments to the accounting basis	1 308	1 308	1 518
Prudent valuation adjustment	(219)	(219)	(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	(3 004)	(2 878)	(4 554)
Goodwill and intangible assets net of deferred tax	(425)	(425)	(537)
Investment in financial entity	(1 114)	(1 101)	(1 662)
Shortfall of eligible provisions compared to expected loss	(346)	(239)	(629)
Investment in capital of financial entities above 10% threshold	(963)	(957)	(692)
Amount of deductions exceeding 15% threshold	—	—	(961)
Other regulatory adjustments	(156)	(156)	(73)
Common equity tier 1 capital	43 004	43 130	36 867
Additional Tier 1 capital	2 142	2 131	1 902
Additional tier 1 instruments	6 253	6 253	5 727
Phase out of non-qualifying additional tier 1 instruments	(4 048)	(4 048)	(3 774)
Non-qualifying surplus capital attributable to non-controlling interest	(63)	(74)	(51)
Tier 1 capital	45 146	45 261	38 769
Tier 2 capital	10 967	10 571	11 885
Collective impairment allowances	435	435	896
Tier 2 instruments	14 445	14 445	14 383
Investment in capital of financial entities above 10% threshold	(531)	(527)	(647)
Non-qualifying surplus capital attributable to non-controlling interests	(3 382)	(3 782)	(2 747)
Total regulatory capital	56 113	55 832	50 654
Risk-weighted assets	351 329	336 833	337 755

* Investec 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 Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET 1 ratio would be 39bps lower (31 March 2020: 24bps 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	36 890	38 842
Credit risk	29 276	30 324
Equity risk	2 679	3 499
Counterparty credit risk	1 024	1 012
Credit valuation adjustment risk	619	272
Market risk	475	541
Operational risk	2 817	3 194
Risk-weighted assets	351 329	337 755
Credit risk	278 812	263 690
Equity risk	25 511	30 428
Counterparty credit risk	9 756	8 796
Credit valuation adjustment risk	5 892	2 363
Market risk	4 526	4 701
Operational risk	26 832	27 777

Leverage


R'million	31 March 2021 [^]	31 March 2020 [^]
Exposure measure	594 013	604 762
Tier 1 capital	45 146	38 769
Leverage ratio^{**}	7.6%	6.4%
Tier 1 capital fully loaded ^{^^}	44 711	37 866
Leverage ratio^{**} - fully loaded^{^^}	7.5%	6.3%

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

[^] Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET 1 ratio would be 39bps lower (31 March 2020: 24bps 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.

Adjusted operating profit

Refer to the calculation in the table below

R'million	31 March 2021	31 March 2020
Operating profit before goodwill and acquired intangibles	5 110	6 523
Add: Loss/(profit) attributable to other non-controlling interests	2	(1 258)
Adjusted operating profit	5 112	5 265

Annuity income

Net interest income (refer to page 12) plus net annuity fees and commissions (refer to page 13)

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 to customers per the balance sheet	279 131	281 686
Add: Own originated loans and advances to customers per the balance sheet	8 184	7 192
Net core loans	287 315	288 878
of which subject to ECL*	285 739	286 494
Net core loans at amortised cost	263 451	265 792
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)	1 576	2 384
Add: ECL	2 729	3 360
Gross core loans	290 044	292 238
of which subject to ECL*	288 468	289 854
of which FVPL (excluding fixed rate loans above)	1 576	2 384

[^] These are fixed rate loans which have passed the sole 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)	8 457	8 307
Total operating income before expected credit losses	14 188	15 939
Less: Profit attributable to other non-controlling interests	2	(1 258)
Total (B)	14 190	14 681
Cost to income ratio (A/B)	59.6%	56.6%

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 subject to ECL

Gearing ratio

Total assets excluding assurance assets divided by total equity

Loans and advances to customers as a % of customer deposits

Loans and advances to customers as a percentage of customer accounts (deposits)

Net interest margin

Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 12

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)

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 12 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 12 for calculation

Ninety One and Ninety One group

All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

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

