

Possibilities and opportunities

Investec plc
(excluding results of Investec Limited)

Unaudited condensed financial information
for the year ended March 2022

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 24.
- All other definitions can be found on page 25.

Key financial statistics	31 March 2022	31 March 2021	% change
Total operating income before expected credit loss impairment charges (£'000)	1 087 969	946 400	15.0%
Operating costs (£'000)	775 866	766 367	1.2%
Adjusted operating profit (£'000)	286 944	109 698	>100.0%
Earnings attributable to ordinary shareholders (£'000)	235 854	69 772	>100.0%
Cost to income ratio (%)	71.3%	80.9%	
Total capital resources (including subordinated liabilities) (£'000)	3 438 905	3 277 938	4.9%
Total equity (£'000)	2 680 166	2 506 457	6.9%
Total assets (£'000)	27 946 313	24 801 508	12.7%
Net core loans (£'000)	14 423 199	12 330 652	17.0%
Customer accounts (deposits) (£'000)	18 293 891	16 077 671	13.8%
Loans and advances to customers as a % of customer deposits	78.9%	76.7%	
Cash and near cash balances (£'mn)	8 871	6 857	29.4%
Funds under management (£'mn)	44 419	41 708	6.5%
Total gearing ratio (i.e. total assets to equity)	10.4x	9.9x	
Total capital ratio	16.5%	14.9%	
Tier 1 ratio	12.8%	12.7%	
Common Equity Tier 1 ratio	11.4%	11.0%	
Leverage ratio	9.0%	7.8%	
Leverage ratio (fully loaded)	8.7%	7.4%	
Stage 3 exposure as a % of gross core loans subject to ECL	2.1%	2.8%	
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	1.6%	2.0%	
Credit loss ratio	0.17%	0.56%	

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	2022	2021
Interest income	718 446	701 220
Interest expense	(235 727)	(301 506)
Net interest income	482 719	399 714
Fee and commission income	510 228	501 794
Fee and commission expense	(14 913)	(13 271)
Investment income	31 255	31 266
Share of post-taxation profit of associates and joint venture holdings	13 878	10 829
Trading income/(loss) arising from		
– customer flow	60 372	(11 025)
– balance sheet management and other trading activities	(7 103)	11 262
Other operating income	11 533	15 831
Total operating income before expected credit loss impairment charges	1 087 969	946 400
Expected credit loss impairment charges	(25 159)	(71 196)
Operating income	1 062 810	875 204
Operating costs	(775 866)	(766 367)
Operating profit before goodwill, acquired intangibles and strategic actions	286 944	108 837
Impairment of goodwill	—	(11 248)
Amortisation of acquired intangibles	(12 936)	(12 851)
Closure and rundown of the Hong Kong direct investments business	(1 203)	7 387
Operating profit	272 805	92 125
Implementation costs on distribution of investment to shareholders	(1 017)	—
Profit before taxation	271 788	92 125
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(37 612)	(24 243)
Taxation on goodwill, acquired intangibles and strategic actions	1 678	1 029
Profit after taxation	235 854	68 911
Loss attributable to other non-controlling interests	—	861
Earnings attributable to shareholders	235 854	69 772

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 March £'000	2022	2021
Profit after taxation	235 854	68 911
Other comprehensive income/(loss):		
Items that may be reclassified to the income statement:		
(Gains)/losses on realisation of debt instruments at FVOCI recycled through the income statement*	(307)	817
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	(2 276)	(228)
Foreign currency adjustments on translating foreign operations**	5 450	(4 529)
Effect of rate change on deferred tax relating to adjustment for IFRS 9	617	380
Items that will not be reclassified to the income statement:		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	22 864	99 287
Gains attributable to own credit risk*	11 059	62
Movement in post-retirement benefit liabilities	40	(39)
Total comprehensive income	273 301	164 661
Total comprehensive loss attributable to non-controlling interests	—	(861)
Total comprehensive income attributable to ordinary shareholders	256 421	148 642
Total comprehensive income attributable to perpetual preferred securities and Other Additional Tier 1 securities	16 880	16 880
Total comprehensive income	273 301	164 661

* Net of £4.2 million tax credit (31 March 2021: £0.2 million tax credit), except for the impact of rate changes on deferred tax as shown separately above.

** Year to 31 March 2022 includes £0.6 million loss on recycling of currency translation differences from sale of Investec Capital Asia Limited.

CONSOLIDATED BALANCE SHEET

At 31 March £'000	2022	2021
Assets		
Cash and balances at central banks	5 379 994	3 043 034
Loans and advances to banks	1 467 770	1 385 471
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	2 065 232
Sovereign debt securities	1 165 777	1 108 253
Bank debt securities	61 714	48 044
Other debt securities	427 761	698 961
Derivative financial instruments	693 133	773 333
Securities arising from trading activities	163 165	281 645
Investment portfolio	694 324	714 315
Loans and advances to customers	14 426 475	12 335 837
Other loans and advances	122 717	123 536
Other securitised assets	93 087	107 259
Interests in associated undertakings and joint venture holdings	66 895	58 658
Deferred taxation assets	110 377	110 750
Current taxation assets	33 448	58 174
Other assets	1 139 439	1 392 596
Property and equipment	155 055	185 502
Goodwill	249 836	249 836
Software	7 066	7 791
Other acquired intangible assets	40 807	53 281
	27 946 313	24 801 508
Liabilities		
Deposits by banks	2 026 601	1 352 581
Derivative financial instruments	863 295	914 863
Other trading liabilities	42 944	49 055
Repurchase agreements and cash collateral on securities lent	154 828	157 357
Customer accounts (deposits)	18 293 891	16 077 671
Debt securities in issue	1 648 177	1 602 584
Liabilities arising on securitisation of other assets	95 885	108 281
Current taxation liabilities	2 460	36 862
Deferred taxation liabilities	—	19 984
Other liabilities	1 379 327	1 204 332
	24 507 408	21 523 570
Subordinated liabilities	758 739	771 481
	25 266 147	22 295 051
Equity		
Ordinary share capital	202	202
Ordinary share premium	806 812	806 812
Treasury shares	(161 522)	(134 185)
Other reserves	(23 914)	(65 686)
Retained income	1 782 961	1 624 130
Ordinary shareholders' equity	2 404 539	2 231 273
Perpetual preference share capital and premium	24 794	24 794
Shareholders' equity excluding non-controlling interests	2 429 333	2 256 067
Other Additional Tier 1 securities in issue	250 000	250 000
Non-controlling interests in partially held subsidiaries	833	390
Total equity	2 680 166	2 506 457
Total liabilities and equity	27 946 313	24 801 508

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Ordinary share premium	Treasury shares
At 1 April 2020	202	806 812	(140 559)
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Transfers from foreign currency reserve	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	6 374
At 31 March 2021	202	806 812	(134 185)
Movement in reserves 1 April 2021 – 31 March 2022			
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	(27 337)
At 31 March 2022	202	806 812	(161 522)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves					Ordinary shareholders' equity	Perpetual preference share capital and premium	Shareholders' equity excluding non- controlling interests	Other Additional Tier 1 securities in issue	Non- controlling interests	Total equity
Capital reserve account	Fair value reserve	Foreign currency reserves	Own credit reserve	Retained income						
(180 899)	39 984	5 128	(12 184)	1 592 182	2 110 666	24 794	2 135 460	250 000	3 369	2 388 829
—	—	—	—	69 772	69 772	—	69 772	—	(861)	68 911
—	(19)	—	399	—	380	—	380	—	—	380
—	817	—	—	—	817	—	817	—	—	817
—	(228)	—	—	—	(228)	—	(228)	—	—	(228)
—	99 287	—	—	—	99 287	—	99 287	—	—	99 287
—	—	(4 529)	—	—	(4 529)	—	(4 529)	—	—	(4 529)
—	—	—	62	—	62	—	62	—	—	62
—	—	—	—	(39)	(39)	—	(39)	—	—	(39)
—	99 857	(4 529)	461	69 733	165 522	—	165 522	—	(861)	164 661
—	—	—	—	(1 213)	(1 213)	—	(1 213)	—	—	(1 213)
—	—	—	—	(18 007)	(18 007)	—	(18 007)	—	—	(18 007)
—	—	—	—	(437)	(437)	437	—	—	—	—
—	—	—	—	—	—	(437)	(437)	—	—	(437)
—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	980	—	(980)	—	—	—	—	—	—
—	—	—	—	(268)	(268)	—	(268)	—	(2 118)	(2 386)
(14 484)	—	—	—	—	(8 110)	—	(8 110)	—	—	(8 110)
(195 383)	139 841	1 579	(11 723)	1 624 130	2 231 273	24 794	2 256 067	250 000	390	2 506 457
—	—	—	—	235 854	235 854	—	235 854	—	—	235 854
—	(47)	—	664	—	617	—	617	—	—	617
—	(307)	—	—	—	(307)	—	(307)	—	—	(307)
—	(2 276)	—	—	—	(2 276)	—	(2 276)	—	—	(2 276)
—	22 864	—	—	—	22 864	—	22 864	—	—	22 864
—	—	5 450	—	—	5 450	—	5 450	—	—	5 450
—	—	—	11 059	—	11 059	—	11 059	—	—	11 059
—	—	—	—	40	40	—	40	—	—	40
—	20 234	5 450	11 723	235 894	273 301	—	273 301	—	—	273 301
—	—	—	—	3 480	3 480	—	3 480	—	—	3 480
—	—	—	—	(63 316)	(63 316)	—	(63 316)	—	—	(63 316)
—	—	—	—	(347)	(347)	347	—	—	—	—
—	—	—	—	—	—	(347)	(347)	—	—	(347)
—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	—	—	—	—	—	—	—	443	443
4 365	—	—	—	—	(22 972)	—	(22 972)	—	—	(22 972)
(191 018)	160 075	7 029	—	1 782 961	2 404 539	24 794	2 429 333	250 000	833	2 680 166

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT

For the year to 31 March 2022 £'000	Private Client		Specialist Banking	Group Investments	Group Costs	Total Group
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other			
Net interest income	2 268	70 692	409 759	—	—	482 719
Fee and commission income	344 685	1 579	163 964	—	—	510 228
Fee and commission expense	(656)	(23)	(14 234)	—	—	(14 913)
Investment income	(2)	816	10 033	20 408	—	31 255
Share of post-taxation profit of associates and joint venture holdings	—	—	13 878	—	—	13 878
Trading income/(loss) arising from						
– customer flow	1 194	2 228	56 950	—	—	60 372
– balance sheet management and other trading activities	(307)	2	(6 798)	—	—	(7 103)
Other operating income	—	—	11 533	—	—	11 533
Total operating income before expected credit loss impairment charges	347 182	75 294	645 085	20 408	—	1 087 969
Expected credit loss impairment charges	(5)	(2 432)	(22 722)	—	—	(25 159)
Operating income	347 177	72 862	622 363	20 408	—	1 062 810
Operating costs	(259 496)	(42 034)	(459 517)	—	(14 819)	(775 866)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	87 681	30 828	162 846	20 408	(14 819)	286 944
Loss attributable to other non- controlling interests	—	—	—	—	—	—
Adjusted operating profit/(loss) after non-controlling interests	87 681	30 828	162 846	20 408	(14 819)	286 944
Selected returns and key statistics						
Cost to income ratio	74.7%	55.8%	71.2%	n/a	n/a	71.3%
Total assets (£'mn)	1 137	4 528	22 101	180	n/a	27 946

SEGMENTAL BUSINESS ANALYSIS – INCOME STATEMENT
CONTINUED

For the year to 31 March 2021 £'000	Private Client		Specialist Banking	Group Investments	Group Costs	Total Group
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other			
Net interest income	2 296	34 664	362 754	—	—	399 714
Fee and commission income	316 813	705	184 276	—	—	501 794
Fee and commission expense	(773)	(61)	(12 437)	—	—	(13 271)
Investment income	272	19	22 122	8 853	—	31 266
Share of post-taxation profit of associates and joint venture holdings	—	—	10 829	—	—	10 829
Trading income/(loss) arising from						
– customer flow	920	1 196	(13 141)	—	—	(11 025)
– balance sheet management and other trading activities	(9)	13	11 258	—	—	11 262
Other operating income	—	—	15 831	—	—	15 831
Total operating income before expected credit loss impairment charges	319 519	36 536	581 492	8 853	—	946 400
Expected credit loss impairment charges	(4)	(1 515)	(69 677)	—	—	(71 196)
Operating income	319 515	35 021	511 815	8 853	—	875 204
Operating costs	(245 175)	(38 033)	(464 873)	—	(18 286)	(766 367)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	74 340	(3 012)	46 942	8 853	(18 286)	108 837
Loss attributable to other non- controlling interests	—	—	861	—	—	861
Adjusted operating profit after non- controlling interests	74 340	(3 012)	47 803	8 853	(18 286)	109 698
Selected returns and key statistics						
Cost to income ratio	76.7%	104.1%	79.8%	n/a	n/a	80.9%
Total assets (£'mn)	1 016	3 338	20 302	146	n/a	24 802

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

		2022			2021		
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	8 071 461	24 441	0.30%	7 711 266	27 785	0.36%
Loans and advances	2	13 435 691	624 516	4.65%	12 170 562	579 809	4.76%
Private client		4 013 304	123 740	3.08%	2 873 101	84 191	2.93%
Corporate, Investment Banking and Other		9 422 387	500 776	5.31%	9 297 461	495 618	5.33%
Other debt securities and other loans and advances		609 114	18 047	2.96%	851 364	34 207	4.02%
Other [#]	3	233 801	51 442	n/a	287 831	59 419	n/a
Total interest-earning assets		22 350 067	718 446	3.21%	21 021 023	701 220	3.34%

		2022			2021		
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	3 308 178	32 971	1.00%	3 199 198	44 378	1.39%
Customer accounts (deposits)		16 761 883	93 235	0.56%	16 029 279	131 233	0.82%
Subordinated liabilities		870 954	49 497	5.68%	789 555	48 145	6.10%
Other [#]	5	363 193	60 024	n/a	436 350	77 750	n/a
Total interest-bearing liabilities		21 304 208	235 727	1.11%	20 454 382	301 506	1.47%
Net interest income			482 719			399 714	
Net interest margin			2.16%			1.90%	

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.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

CONTINUED

Net fee and commission income

For the year to 31 March £'000	2022	2021
Wealth & Investment businesses net fee and commission income	344 029	316 040
Fund management fees/fees for assets under management	301 950	267 381
Private client transactional fees	42 735	49 432
Fee and commission expense	(656)	(773)
Specialist Banking net fee and commission income	151 286	172 483
Specialist Banking fee and commission income	165 543	184 981
Specialist Banking fee and commission expense	(14 257)	(12 498)
Net fee and commission income	495 315	488 523
Annuity fees (net of fees payable)	318 389	284 745
Deal fees	176 926	203 778

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
2022								
Realised	2 414	18 028	552	20 994	512	(4 383)	11 865	28 988
Unrealised*	(4 169)	2 350	1 176	(643)	(457)	4 274	(29 900)	(26 726)
Dividend income	20 445	6 667	—	27 112	—	—	213	27 325
Funding and other net related income	—	—	—	—	—	1 668	—	1 668
	18 690	27 045	1 728	47 463	55	1 559	(17 822)	31 255
2021								
Realised	9 367	971	13	10 351	6 121	(1 755)	23 164	37 881
Unrealised*	6 449	7 485	(35)	13 899	(2 967)	(3 141)	(29 490)	(21 699)
Dividend income	8 875	3 906	—	12 781	—	—	—	12 781
Funding and other net related income	—	—	—	—	—	2 303	—	2 303
	24 691	12 362	(22)	37 031	3 154	(2 593)	(6 326)	31 266

* 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 2022 £'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	—	5 379 994	—	5 379 994
Loans and advances to banks	—	1 467 770	—	1 467 770
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	778 365	—	1 447 473
Sovereign debt securities	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	—	61 714
Other debt securities	144 048	283 713	—	427 761
Derivative financial instruments	693 133	—	—	693 133
Securities arising from trading activities	163 165	—	—	163 165
Investment portfolio	694 324	—	—	694 324
Loans and advances to customers	1 294 469	13 132 006	—	14 426 475
Other loans and advances	—	122 717	—	122 717
Other securitised assets	93 087	—	—	93 087
Interests in associated undertakings and joint venture holdings	—	—	66 895	66 895
Deferred taxation assets	—	—	110 377	110 377
Current taxation assets	—	—	33 448	33 448
Other assets	27 084	823 227	289 128	1 139 439
Property and equipment	—	—	155 055	155 055
Goodwill	—	—	249 836	249 836
Software	—	—	7 066	7 066
Other acquired intangible assets	—	—	40 807	40 807
	5 005 909	21 987 792	952 612	27 946 313
Liabilities				
Deposits by banks	—	2 026 601	—	2 026 601
Derivative financial instruments	863 295	—	—	863 295
Other trading liabilities	42 944	—	—	42 944
Repurchase agreements and cash collateral on securities lent	—	154 828	—	154 828
Customer accounts (deposits)	—	18 293 891	—	18 293 891
Debt securities in issue	46 192	1 601 985	—	1 648 177
Liabilities arising on securitisation of other assets	95 885	—	—	95 885
Current taxation liabilities	—	—	2 460	2 460
Deferred taxation liabilities	—	—	—	—
Other liabilities	—	813 958	565 369	1 379 327
	1 048 316	22 891 263	567 829	24 507 408
Subordinated liabilities	—	758 739	—	758 739
	1 048 316	23 650 002	567 829	25 266 147

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 2022 £'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	669 108	—	669 108	—
Sovereign debt securities	1 165 777	1 165 777	—	—
Bank debt securities	61 714	61 714	—	—
Other debt securities	144 048	—	39 017	105 031
Derivative financial instruments	693 133	19	649 164	43 950
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	694 324	357 836	6 552	329 936
Loans and advances to customers	1 294 469	—	82 621	1 211 848
Other securitised assets	93 087	—	—	93 087
Other assets	27 084	27 084	—	—
	5 005 909	1 770 643	1 446 634	1 788 632
Liabilities				
Derivative financial instruments	863 295	—	817 526	45 769
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
Liabilities arising on securitisation of other assets	95 885	—	—	95 885
	1 048 316	42 944	863 718	141 654
Net assets at fair value	3 957 593	1 727 699	582 916	1 646 978

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 2021	341 984	1 045 663	107 259	135 369	1 630 275
Total gains or (losses)	22 945	63 202	(657)	19 577	105 067
In the income statement	22 945	63 768	(657)	19 577	105 633
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	33 602	1 845 044	—	59 165	1 937 811
Sales	(66 682)	(1 079 005)	—	(19 783)	(1 165 470)
Settlements	(8 498)	(695 450)	(13 515)	(49 392)	(766 855)
Transfers into level 3	621	—	—	—	621
Foreign exchange adjustments	5 964	32 394	—	8 825	47 183
Balance as at 31 March 2022	329 936	1 211 848	93 087	153 761	1 788 632

£'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities ²	Total
Liabilities			
Balance as at 1 April 2021	108 281	28 034	136 315
Total (gains) or losses	(2 094)	16 148	14 054
In the income statement	(2 094)	16 148	14 054
Settlements	(10 303)	(270)	(10 573)
Foreign exchange adjustments	1	1 857	1 858
Balance as at 31 March 2022	95 885	45 769	141 654

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 2022, investment portfolio of £0.6 million was transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were 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 2022 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	66 069	58 038	8 031
Investment income*	27 830	52 666	(24 836)
Trading loss arising from customer flow	(2 320)	(491)	(1 829)
	91 579	110 213	(18 634)
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	440	(566)

* Included within the investment income statement balance are unrealised gains of £0.7 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 2022 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
Loans and advances to customers	Average broker quotes	Broker quotes
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
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 table below shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	105 031	Potential impact on income statement		3 199	(5 851)
		Credit spreads	0.74%-2.75%	141	(286)
		Cash flow adjustments	CPR 8.4%	6	(8)
		Other	[^]	3 052	(5 557)
Derivative financial instruments	43 950	Potential impact on income statement		4 643	(5 266)
		Volatilities	5%-18.9%	15	(29)
		Cash flow adjustments	CPR 8.4%	—	(6)
		Underlying asset value	^{^^}	4 026	(4 028)
		Other	[^]	602	(1 203)
Securities arising from trading activities	4 780	Potential impact on income statement			
		Cash flow adjustments	CPR 11%	481	(635)
Investment portfolio	329 936	Potential impact on income statement		34 755	(69 302)
		Price earnings multiple	5.5x-15x	9 505	(18 206)
		Underlying asset value	^{^^}	9 636	(20 897)
		Other	[^]	15 614	(30 199)
Loans and advances to customers	1 211 848	Potential impact on income statement		24 838	(40 047)
		Credit spreads	0.15%-34.3%	10 656	(27 586)
		Price earnings multiple	3.5x-4.2x	7 824	(1 136)
		Underlying asset value	^{^^}	3 528	(5 665)
		Other	[^]	2 830	(5 660)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%-6.17%	8 440	(15 725)
Other securitised assets	93 087	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	988	(1 057)
Total level 3 assets	1 788 632			77 344	(137 883)
Liabilities					
Derivative financial instruments	45 769	Potential impact on income statement		(4 046)	4 060
		Volatilities	5%-18.9%	(21)	35
		Underlying asset value	^{^^}	(4 025)	4 025
Liabilities arising on securitisation of other assets [*]	95 885	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	(292)	299
Total level 3 liabilities	141 654			(4 338)	4 359
Net level 3 assets	1 646 978				

^{*} 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 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 that 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 2022 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts
Assets				
Cash and balances at central banks	5 379 994	5 379 994	—	—
Loans and advances to banks	1 467 770	1 467 770	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088
Other debt securities	283 713	7 601	276 112	275 937
Loans and advances to customers	13 132 006	521 321	12 610 685	12 593 362
Other loans and advances	122 717	61 473	61 244	61 253
Other assets	823 227	823 227	—	—
	21 987 792	8 923 537	13 064 255	13 045 640
Liabilities				
Deposits by banks	2 026 601	280 414	1 746 187	1 654 635
Repurchase agreements and cash collateral on securities lent	154 828	103 729	51 099	49 243
Customer accounts (deposits)	18 293 891	11 678 823	6 615 068	6 616 337
Debt securities in issue	1 601 985	1 183	1 600 802	1 599 831
Other liabilities	813 958	810 824	3 134	2 419
Subordinated liabilities	758 739	—	758 739	767 436
	23 650 002	12 874 973	10 775 029	10 689 901

Financial impact of strategic actions

For the year to 31 March £'000	2022	2021
Closure and rundown of the Hong Kong direct investments business*	(1 203)	7 387
Implementation costs on distribution of investment to shareholders	(1 017)	—
Financial impact of strategic actions	(2 220)	7 387
Taxation on financial impact of strategic actions	633	(1 390)
Net financial impact of strategic actions	(1 587)	5 997

* Included within the balance are fair value gains of £0.7 million (31 March 2021: fair value gains of £10.3 million).

ADDITIONAL IAS 34 DISCLOSURES

CONTINUED

Contingent liabilities

Investec Bank plc (Investec) has been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceeding have been issued against Investec by the Office of the Public Prosecutor. Whilst no formal proceedings have been issued against Investec by the Office of the Public Prosecutor, a provision was previously raised to reflect the potential financial outflows that could arise as a result of this matter. In addition, subsequent to the year end date, Investec received certain enquiries in respect of client tax reclaims for the periods 2010-2011 relating to the historical German dividend arbitrage transactions from the German Federal Tax Office (FTO) in Bonn. The FTO has provided limited information and Investec has sought further information and clarification. Given the lack of information, it is not possible for Investec to reliably estimate the potential liability, if any, in relation to this matter.

Investec is cooperating with the German authorities and continues to conduct its own internal investigation into the matters in question. There are factual issues to be resolved which may have legal consequences including financial penalties. In relation to potential civil claims; whilst Investec is not a claimant nor a defendant to any civil claims in respect of cum ex transactions, Investec has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec has itself served third party notices on various participants to these historic transactions in order to preserve statute of limitation on any potential future claims that Investec may seek to bring against those parties, should Investec incur any liability in the future. Investec has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec in future in relation to the relevant transactions. The Group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure may be expected to seriously prejudice its outcome.

Events after the reporting date

On 18 March 2022, a circular was published noting the proposed distribution of 15% of the issued Ninety One DLC shares to Investec ordinary shareholders reducing the Investec holding from 25% to 10%.

As at 31 March 2022, a Section 46 ruling was still to be obtained from the South African Revenue Service stipulating the tax consequences of the distribution in South Africa, as well as the outcome of the shareholder vote that was scheduled to take place on 28 April 2022.

The Section 46 ruling was obtained on 20 April 2022 and a SENS and RNS announcement was published to shareholders to inform them of the outcome of the ruling as it was considered information that could have an impact on the vote of an ordinary shareholder.

On 28 April 2022, the General meeting was concluded with a vote in favour of the distribution. The distribution is expected to be effective on 30 May 2022. The distribution was classified as a non-adjusting event after the reporting date as defined by IAS 10 Events after the Reporting Period.

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

£'million	31 March 2022	31 March 2021
Gross core loans	14 557	12 501
Gross core loans at FVPL	609	512
Gross core loans subject to ECL *	13 948	11 989
Stage 1	12 665	10 415
Stage 2	992	1 242
of which past due greater than 30 days	28	90
Stage 3	291	332
of which Ongoing (excluding Legacy) Stage 3*	240	231
ECL	(134)	(170)
Stage 1	(32)	(27)
Stage 2	(35)	(42)
Stage 3	(67)	(101)
of which Ongoing (excluding Legacy) Stage 3*	(40)	(62)
Coverage ratio		
Stage 1	0.25%	0.26%
Stage 2	3.5%	3.4%
Stage 3	23.0%	30.4%
of which Ongoing (excluding Legacy) Stage 3*	16.7%	26.8%
Credit loss ratio	0.17%	0.56%
ECL impairment charges on core loans	(22)	(65)
Average gross core loans subject to ECL	12 969	11 691
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	224	231
of which Ongoing (excluding Legacy) Stage 3*	200	169
Aggregate collateral and other credit enhancements on Stage 3	230	235
Stage 3 as a % of gross core loans subject to ECL	2.1%	2.8%
of which Ongoing (excluding Legacy) Stage 3*	1.7%	1.9%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	2.0%
of which Ongoing (excluding Legacy) Stage 3*	1.4%	1.4%

* Refer to definitions on page 25. Our exposure (net of ECL) to the Legacy portfolio has reduced from £84 million at 31 March 2021 to £43 million at 31 March 2022. 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 2022										
Commercial real estate	1 334	(3)	152	(6)	105	(21)	1 591	(30)	46	1 637
Commercial real estate – investment	1 104	(2)	108	(4)	99	(18)	1 311	(24)	42	1 353
Commercial real estate – development	222	(1)	38	(1)	—	—	260	(2)	4	264
Commercial vacant land and planning	8	—	6	(1)	6	(3)	20	(4)	—	20
Residential real estate	676	(2)	3	—	34	(16)	713	(18)	29	742
Residential real estate – investment	394	(1)	3	—	4	(1)	401	(2)	27	428
Residential real estate – development	276	(1)	—	—	6	(3)	282	(4)	—	282
Residential vacant land and planning	6	—	—	—	24	(12)	30	(12)	2	32
Total lending collateralised by property	2 010	(5)	155	(6)	139	(37)	2 304	(48)	75	2 379
Coverage ratio	0.25%		3.9%		26.6%		2.1%			
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%			

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 2022										
Mortgages	3 995	(1)	86	—	57	(4)	4 138	(5)	25	4 163
High net worth and specialised lending	938	(2)	42	(1)	6	(2)	986	(5)	3	989
Total high net worth and other private client lending	4 933	(3)	128	(1)	63	(6)	5 124	(10)	28	5 152
Coverage ratio	0.06%		0.8%		9.5%		0.2%			
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%			

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 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Other large ticket asset finance	—	—	—	—	—	—	—	—	—	—
Aviation finance	96	(1)	10	(1)	—	—	106	(2)	244	350
Power and infrastructure finance	362	(2)	47	(2)	41	(2)	450	(6)	70	520
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	5 722	(24)	709	(28)	89	(24)	6 520	(76)	506	7 026
Coverage ratio	0.42%		3.9%		27.0%		1.2%			
At 31 March 2021										
Corporate and acquisition finance	1 000	(7)	336	(17)	12	(4)	1 348	(28)	87	1 435
Asset-based lending	206	(2)	119	(3)	—	—	325	(5)	14	339
Fund finance	1 176	(2)	57	—	—	—	1 233	(2)	48	1 281
Other corporate and financial institutions and governments	422	(2)	18	—	3	(1)	443	(3)	17	460
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
Other large ticket asset finance	—	—	—	—	23	(18)	23	(18)	—	23
Aviation finance	30	—	95	(2)	6	(2)	131	(4)	262	393
Power and infrastructure finance	351	(2)	82	(4)	25	(1)	458	(7)	47	505
Resource finance	28	—	—	—	—	—	28	—	—	28
Total corporate and other lending	4 740	(25)	991	(37)	104	(44)	5 835	(106)	475	6 310
Coverage ratio	0.53%		3.7%		42.3%		1.8%			

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	31 March 2022*	31 March 2021*
Common Equity Tier 1 ratio**	11.4%	11.0%
Common Equity Tier 1 ratio (fully loaded)***	11.0%	10.5%
Tier 1 ratio**	12.8%	12.7%
Total capital ratio**	16.5%	14.9%
Risk-weighted assets (£'million)**	16 980	16 332
Leverage exposure measure (£'million)^	24 181	26 672
Leverage ratio^	9.0%	7.8%
Leverage ratio (fully loaded)^ ***	8.7%	7.4%

Capital structure and capital adequacy

£'million	31 March 2022*	31 March 2021*
Shareholders' equity	2 340	2 198
Shareholders' equity excluding non-controlling interests	2 429	2 256
Foreseeable charges and dividends	(44)	(25)
Perpetual preference share capital and share premium	(25)	(25)
Deconsolidation of special purpose entities	(20)	(8)
Non-controlling interests	—	—
Non-controlling interests per balance sheet	1	—
Non-controlling interests excluded for regulatory purposes	(1)	—
Regulatory adjustments to the accounting basis	71	98
Additional value adjustments	(6)	(7)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	—	12
Adjustment under IFRS 9 transitional arrangements	77	93
Deductions	(480)	(500)
Goodwill and intangible assets net of deferred taxation	(303)	(307)
Investment in capital of financial entities above 10% threshold	(164)	(179)
Deferred taxation assets that rely on future profitability excluding those arising from temporary difference	(8)	(12)
Securitisation positions which can alternatively be subject to a 1 250%	(5)	(2)
Common Equity Tier 1 capital	1 931	1 796
Additional Tier 1 instruments	250	274
Tier 1 capital	2 181	2 070
Tier 2 capital	628	370
Tier 2 instruments	766	473
Non-qualifying surplus capital attributable to non-controlling interests	(138)	(103)
Total regulatory capital	2 809	2 440
Risk-weighted assets**	16 980	16 332

* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating Common Equity Tier (CET)1 capital. These disclosures differ from the capital adequacy disclosures included in the Investec Group's 2022 integrated and strategic report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc CET1 ratio would be 28bps (31 March 2021: 17bps) higher, on this basis.

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

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assume full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis. In the UK, the 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework, which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a Capital Requirements Directive (CRD) IV basis.

CAPITAL ADEQUACY

CONTINUED

Risk-weighted assets and capital requirements

£'million	Risk-weighted assets**		Capital requirements	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	16 980	16 332	1 358	1 307
Credit risk	13 366	12 497	1 069	1 000
Equity risk	562	581	45	46
Counterparty credit risk	555	691	44	55
Credit valuation adjustment risk	103	59	8	5
Market risk	608	778	49	63
Operational risk	1 786	1 726	143	138

Leverage

£'million	31 March 2022*	31 March 2021*
Total exposure measure^	24 181	26 672
Tier 1 capital (as reported)**	2 181	2 070
Leverage ratio^	9.0%	7.8%
Total exposure measure (fully loaded)^ ***	24 104	26 579
Tier 1 capital (fully loaded)**	2 104	1 956
Leverage ratio (fully loaded)^ ***	8.7%	7.4%


* The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures differ from the capital adequacy disclosures included in the Investec Group's 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc CET1 ratio would be 28bps (31 March 2021: 17bps) 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 and Tier 1 ratio (fully loaded) and the leverage ratio (fully loaded) assume full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis. In the UK, the 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework, which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a CRD IV basis.


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 2022	31 March 2021
Operating profit before goodwill, acquired intangibles and strategic actions	286 944	108 837
Add: Loss attributable to other non-controlling interests	—	861
Adjusted operating profit	286 944	109 698

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 2022	31 March 2021
Loans and advances to customers per the balance sheet	14 426	12 336
ECL held against FVOCI loans reported on the balance sheet within reserves	(3)	(5)
Net core loans	14 423	12 331
of which amortised cost and FVOCI ('subject to ECL')	13 814	11 819
of which FVPL	609	512
Add: ECL	134	170
Gross core loans	14 557	12 501
of which amortised cost and FVOCI ('subject to ECL')	13 948	11 989
of which FVPL	609	512

Cost to income ratio Refer to the calculation in the table below

£'000	31 March 2022	31 March 2021
Operating costs (A)	775 866	766 367
Total operating income before expected credit loss impairment charges	1 087 969	946 400
Add: Loss attributable to other non-controlling interests	—	861
Total (B)	1 087 969	947 261
Cost to income ratio (A/B)	71.3%	80.9%


Coverage ratio ECL as a percentage of gross core loans subject to ECL

Credit loss ratio ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL

Gearing ratio Total assets divided by total equity

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

Net interest margin Interest income net of interest expense, divided by average interest-earning assets

 Refer to calculation on page 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 2013 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Ongoing basis

Ongoing information, as separately disclosed from 2013 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

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

Subject to ECL

Includes financial assets held at amortised cost and FVOCI

CET1 capital

Common Equity Tier 1 capital

RWAs

Risk weighted assets

CRR II

Capital Requirements Regulation II

CRD IV

Capital Requirements Directive IV

