Investec

OUT OF THE ORDINARY

Investec Bank Limited

Reviewed preliminary condensed consolidated financial results for the year ended 31 March 2022

Condensed consolidated income statement

R'million	**Year to 31 March 2022**	Year to 31 March 2021
Interest income	26 230	26 370
Interest expense	(16 020)	(17 584)
Net interest income	**10 210**	**8 786**
Fee and commission income	3 609	2 804
Fee and commission expense	(539)	(467)
Investment income	241	472
Share of post-taxation profit of associates	53	81
Trading income/(loss) arising from		
– customer flow	724	627
– balance sheet management and other trading activities	5	(257)
Other operating income	1	3
Total operating income before expected credit loss impairment charges	**14 304**	**12 049**
Expected credit loss impairment charges	(9)	(567)
Operating income	**14 295**	**11 482**
Operating costs	(7 048)	(6 469)
Operating profit before goodwill and acquired intangibles	**7 247**	**5 013**
Impairment of goodwill	(3)	(3)
Amortisation of acquired intangibles	(51)	(51)
Impairment of associates	—	(98)
Profit before taxation	**7 193**	**4 861**
Taxation on operating profit before acquired intangibles	(1 703)	(878)
Taxation on acquired intangibles	15	14
Profit after taxation	**5 505**	**3 997**
Profit after taxation attributable to ordinary shareholders	5 238	3 842
Profit after taxation attributable to perpetual preference shareholders and other Additional Tier 1 security holders	267	155

Consolidated statement of total comprehensive income

R'million	Year to 31 March 2022	Year to 31 March 2021
Profit after taxation	5 505	3 997
Other comprehensive income:		
Items that may be reclassified to the income statement		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(80)	11
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	50	2 025
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(35)	(33)
Foreign currency adjustments on translating foreign operations	(70)	(1 224)
Items that will not be reclassified to the income statement		
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	(158)	415
Net gain/(loss) attributable to own credit risk*	1	(14)
Total comprehensive income	**5 213**	**5 177**
Total comprehensive income attributable to ordinary shareholders	4 946	5 022
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	267	155
Total comprehensive income	**5 213**	**5 177**

* Net of taxation expense of R234.4 million (2021: R943.4 million).

Headline earnings

R'million	Year to 31 March 2022	Year to 31 March 2021
Profit after taxation	5 505	3 997
Dividend paid to perpetual preference shareholders and other Additional Tier 1 security holders	(267)	(155)
Gain on repurchase of perpetual preference shares	19	17
Earnings attributable to ordinary shareholders	**5 257**	**3 859**
Headline adjustments	3	274
Impairment of goodwill	3	3
Impairment of associates	—	98
Headline adjustments of equity accounted associates^	—	173
Headline earnings attributable to ordinary shareholders	**5 260**	**4 133**

^ Net of associate taxation within equity accounted earnings of R47.7 million for the year to 31 March 2021.

Consolidated balance sheet

At R'million	31 March 2022	31 March 2021
Assets		
Cash and balances at central banks	11 893	9 653
Loans and advances to banks	19 609	24 666
Non-sovereign and non-bank cash placements	13 176	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	56 437	30 221
Sovereign debt securities	57 380	53 009
Bank debt securities	27 955	21 862
Other debt securities	15 439	14 170
Derivative financial instruments	17 658	19 173
Securities arising from trading activities	2 276	2 869
Investment portfolio	2 865	4 923
Loans and advances to customers	287 529	275 056
Own originated loans and advances to customers securitised	7 228	8 184
Other loans and advances	108	181
Other securitised assets	592	578
Interests in associated undertakings	31	5 149
Current taxation assets	2	35
Deferred taxation assets	2 255	2 412
Other assets	5 746	7 382
Property and equipment	3 427	2 740
Investment properties	1	1
Goodwill	172	175
Software	46	95
Other acquired intangible assets	64	118
Loans to Group companies	21 489	17 410
Non-current assets classified as held for sale	498	474
	553 876	**509 492**
Liabilities		
Deposits by banks	18 721	17 144
Derivative financial instruments	27 551	23 011
Other trading liabilities	3 309	3 388
Repurchase agreements and cash collateral on securities lent	12 091	16 593
Customer accounts (deposits)	420 072	374 369
Debt securities in issue	2 845	2 126
Liabilities arising on securitisation of own originated loans and advances	4 585	3 271
Current taxation liabilities	557	684
Deferred taxation liabilities	17	32
Other liabilities	7 089	7 421
Loans from Group companies	1 066	1 972
	497 903	**450 011**
Subordinated liabilities	9 133	12 936
	507 036	**462 947**
Equity		
Ordinary share capital	32	32
Ordinary share premium	14 250	14 250
Other reserves	1 017	411
Retained income	28 981	29 188
Ordinary shareholders' equity	**44 280**	**43 881**
Perpetual preference share capital and premium	—	1 481
Shareholders' equity excluding non-controlling interests	**44 280**	**45 362**
Other Additional Tier 1 securities in issue	2 560	1 183
Total equity	**46 840**	**46 545**
Total liabilities and equity	**553 876**	**509 492**

Condensed consolidated statement of changes in equity

R'million	Year to 31 March 2022	Year to 31 March 2021
Balance at the beginning of the year	46 545	41 748
Total comprehensive income	5 213	5 177
Dividends paid to ordinary shareholders	(5 550)	(600)
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(267)	(155)
Issue of other Additional Tier 1 securities in issue	1 377	723
Repurchase of perpetual preference shares	(1 462)	(36)
Net equity movements of interests in associated undertakings	—	(406)
Net capital contribution from Group companies	984	94
Balance at the end of the year	**46 840**	**46 545**

Condensed consolidated cash flow statement

R'million	Year to 31 March 2022	Year to 31 March 2021
Net cash inflow/(outflow) from operating activities	7 094	(25 318)
Net cash inflow/(outflow) from investing activities	2 842	(81)
Net cash (outflow)/inflow from financing activities*	(9 973)	1 228
Effects of exchange rate changes on cash and cash equivalents	(51)	(1 171)
Net decrease in cash and cash equivalents	**(88)**	**(25 342)**
Cash and cash equivalents at the beginning of the year	42 115	67 457
Cash and cash equivalents at the end of the year	**42 027**	**42 115**

Cash and cash equivalents is defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

* Net cash (outflow)/inflow from financing activities comprises:

R'million	Year to 31 March 2022	Year to 31 March 2021
Repurchase of perpetual preference shares	(1 462)	(36)
Proceeds on issue of subordinated liabilities	1 500	1 636
Repayment of subordinated liabilities	(5 486)	(260)
Dividends paid	(5 817)	(755)
Proceeds on issue of other Additional Tier 1 securities in issue	1 377	723
Lease liabilities paid	(85)	(80)
Net cash (outflow)/inflow from financing activities	**(9 973)**	**1 228**

Condensed consolidated segmental information

	Specialist Banking				
	Private Client				
Year to 31 March 2022 R'million	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	Total Group
Operating income	7 404	7 072	(181)	—	14 295
Operating costs	(3 351)	(3 373)	—	(324)	(7 048)
Operating profit/(loss)	**4 053**	**3 699**	**(181)**	**(324)**	**7 247**
Cost to income ratio (%)	47.6%	45.3%	n/a	n/a	49.3%
Total assets (R'million)	223 819	329 327	730	—	553 876

	Specialist Banking				
	Private Client				
Year to 31 March 2021 R'million	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	Total Group
Operating income	5 584	5 687	211	—	11 482
Operating costs	(2 981)	(3 164)	—	(324)	(6 469)
Operating profit/(loss)	**2 603**	**2 523**	**211**	**(324)**	**5 013**
Cost to income ratio (%)	53.1%	50.9%	n/a	n/a	53.7%
Total assets (R'million)	210 420	291 008	8 064	—	509 492

Liquidity coverage ratio disclosure

The objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements. This disclosure Template LIQ1 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2019.

The following table sets out the LCR for the Group and bank:

At 31 March 2022 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
High quality liquid assets (HQLA)	98 038	100 268
Net cash outflows	71 679	72 513
Actual LCR (%)	**137.4**	**138.9**
Required LCR (%)*	90.0	90.0

* The South African PA is of the opinion that Financial markets have largely normalised, and banks currently have healthy liquidity as a result of increased deposits. The PA views that the LCR COVID-19 relief measure is no longer necessary and the minimum LCR requirement has been revised from 80% to 90% from 1 January 2022 and back to 100% from 1 April 2022.

The values in the table are calculated as the simple average of the 90 calendar daily values over the period 1 January 2022 to 31 March 2022 for IBL solo. IBL consolidated Group values use daily values for IBL solo, while those for other Group entities use the average of January, February and March 2022 month-end values.

Net stable funding ratio disclosure

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2019.

The following table sets out the NSFR for the Group and bank:

At 31 March 2022 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
Available stable funding (ASF)	337 590	355 250
Required stable funding (RSF)	297 779	315 554
Actual NSFR (%)	**113.4**	**112.6**
Required NSFR (%)	100.0	100.0

Commentary

These reviewed preliminary condensed consolidated financial statements cover the results of Investec Bank Limited ("the bank" or "Investec" or "IBL") for the year ended 31 March 2022 (FY2022).

Unless the context indicates otherwise, all comparatives relate to the year ended 31 March 2021 (FY2021).

Overview of results

The bank's performance for the 2022 financial year reflects the strength of our Specialist Banking franchise and the commitment of our people to support our clients.

The revenue momentum experienced in the first half of the financial year continued into the second half. Net interest income benefitted from lower funding costs and higher average interest earning assets. Increased client activity and higher lending turnover underpinned the growth in non-interest revenue over the year. Fixed operating expenditure was well contained, in line with the Group's focus on cost efficiencies, while variable remuneration increased given improved business performance. Impairments were significantly lower given limited default experience and good recoveries.

The prior year results reflected the effects of severe economic contraction and rate cuts associated with COVID-19 which negatively affected client activity, net interest margins, valuations, and impairments.

Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited (INL), posted an increase in headline earnings attributable to ordinary shareholders of 27.3% to R5 260 million (FY2021: R4 133 million).

We have maintained strong capital and liquidity positions with a common equity tier one (CET1) ratio of 15.8% on increased Advanced Internal Ratings Based (AIRB) scope (31 March 2021: 14.0%). The LCR was 137.4% for Investec Bank Limited (solo) and 138.9% for Investec Bank Limited (consolidated) while the NSFR was 113.4% and 112.6%, respectively.

Approval was received from the Prudential Authority to adopt the AIRB approach for the bank's SME and Corporate models effective 1 April 2021.

We have made progress in our application to adopt AIRB on remaining models where capital is still measured on the Foundation Internal Ratings Based (FIRB) approach. On full AIRB adoption, the CET1 ratio at 31 March 2022 would on a pro forma basis increase by 200bps to c.18%.

Capital optimisation

In line with our capital optimisation strategy and to simplify IBL's balance sheet, on 31 August 2021, IBL sold its 47.4% stake in Investec Equity Partners (IEP) to INL for R5.2 billion, and its 21.87% holding in Investec Property Fund (IPF) to INL for R2.7 billion. R1.5 billion of the IPF purchase price was funded by IBL providing interest bearing debt to INL while R3.4 billion of the IEP purchase price was funded by INL issuing redeemable preference shares to IBL. INL pledged the IPF shares to IBL as security for the debt, and its investment in Investec Investments (Pty) Limited as security for the preference shares.

As IBL ceased to derive any regulatory capital benefit associated with preference shares from 1 January 2022, the bank subsequently repurchased all outstanding listed non-redeemable, non-cumulative, non-participating preference shares in issue, remaining with a nil balance as at 31 March 2022.

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

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

Financial review

Salient operational features for the year ended 31 March 2022 include:

Total operating income before expected credit loss (ECL) impairment charges increased by 18.7% to R14 304 million (FY2021: R12 049 million). The components of operating income are analysed further below:

- Net interest income increased 16.2% to R10 210 million (FY2021: R8 786 million) given higher average interest earning assets and lower funding costs. Net core loans grew by 4.1% to R294.8 billion (31 March 2021: R283.2 billion). Advances to private clients were driven by residential mortgages, offset by flat year on year growth in commercial real estate. Growth in corporate lending was curtailed by elevated repayments and continued low business confidence.
- Net fee and commission income increased 31.4% to R3 070 million (FY2021: R2 337 million) reflecting increased activity levels across the board, higher lending and FX turnover, and a recovery of point-of-sale activity relative to the prior year.
- Investment income and share of post-taxation profit from associates declined 46.8% to R294 million (FY2021: R553 million). The decrease is primarily due to the sale of IEP on 31 August 2021 and additional write-downs taken on certain unlisted investments.
- Total trading income increased 97.0% to R729 million (FY2021: R370 million). Client flow was strong (up 15.3%) driven by market share gains in select markets, increased client flows and benefits arising from increased market volatility. Balance sheet management and other trading activities saw mark-to-market (MTM) gains on certain interest rate and currency swaps.

ECL impairment charges declined by 98.4% to R9 million (FY2021: R567 million) resulting in a credit loss ratio (CLR) of approximately zero bps (FY2021: 18bps). The decline was due to limited default experience, good recoveries, specific ECL impairment reversals and the release of R71 million post-model overlays given good credit performance and a stable macroeconomic outlook relative to FY2021. The management overlay at year end of R219 million (31 March 2021: R290 million) reflects heightened economic uncertainty arising from the effects of inflationary pressures and second-order economic impacts from geopolitical tensions abroad.

The cost to income ratio improved to 49.3% (FY2021: 53.7%) given continued cost discipline. Operating costs increased 9.0% to R7 048 million (FY2021: R6 469 million) driven largely by higher variable remuneration given improved performance. Fixed costs increased by 4.8% year on year.

As a result of the foregoing factors, profit before taxation increased 48.0% to R7 193 million (FY2021: R4 861 million) while profit after taxation increased 37.7% to R5 505 million (FY2021: R3 997 million).

Outlook
The bank continues to successfully navigate the uncertain macro backdrop that has persisted since the onset of the pandemic, well supported by a strong balance sheet and robust liquidity.

The expected slowdown in global growth given high levels of global inflation, increased geopolitical tensions and the slow implementation of structural reforms locally, present a downside risk to current economic forecasts.

FY2023 guidance:
Based on financial performance for FY2022, current business momentum and a macro-economic outlook with elevated forecast risk in the short term, management currently expects:

- The revenue outlook to be underpinned by higher average interest rates supporting margins, higher average lending books and increased activity levels given expected GDP growth.
- Normalisation of expected credit loss impairment charges and consequent credit loss ratio increase towards a through-the-cycle range calibrated between 20bps and 30bps.
- The bank to continue to operate with a surplus capital position given excess capital generation and the anticipated CET1 uplift on full implementation of AIRB.

We remain focused on strategic execution and are well positioned to continue supporting our clients and to take advantage of growth opportunities ahead.

Basis of preparation
The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The financial results have been prepared under the supervision of Marlé van der Walt, the Investec Bank Limited Finance Director. The condensed consolidated financial statements for the year ended 31 March 2022 will be available on the Group's website on 19 May 2022.

On behalf of the Board of Investec Bank Limited

Khumo Shuenyane	**Richard Wainwright**
Chair	Chief Executive
18 May 2022	

Review conclusion
The condensed consolidated financial statements for the year ended 31 March 2022 have been reviewed by KPMG Inc. and Ernst & Young Inc., who expressed an unmodified review conclusion. A copy of the auditors' review report is available for inspection at the company's registered office together with the financial statements identified in the auditors' report.

The auditors' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' review report together with the accompanying financial information from the issuer's registered office.

Net fee and commission income

For the year to 31 March R'million	2022	2021
Specialist Banking net fee and commission income	**3 070**	**2 337**
Specialist Banking fee and commission income	3 609	2 804
Specialist Banking fee and commission expense	(539)	(467)
Net fee and commission income	**3 070**	**2 337**
Annuity fees (net of fees payable)	1 767	1 502
Deal fees	1 303	835

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

Analysis of financial assets and liabilities by measurement category

At 31 March 2022 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	—	11 893	—	11 893
Loans and advances to banks	—	19 609	—	19 609
Non-sovereign and non-bank cash placements	564	12 612	—	13 176
Reverse repurchase agreements and cash collateral on securities borrowed	23 346	33 091	—	56 437
Sovereign debt securities	42 432	14 948	—	57 380
Bank debt securities	16 274	11 681	—	27 955
Other debt securities	11 084	4 355	—	15 439
Derivative financial instruments	17 658	—	—	17 658
Securities arising from trading activities	2 276	—	—	2 276
Investment portfolio	2 865	—	—	2 865
Loans and advances to customers	20 601	266 928	—	287 529
Own originated loans and advances to customers securitised	—	7 228	—	7 228
Other loans and advances	—	108	—	108
Other securitised assets	—	592	—	592
Interests in associated undertakings	—	—	31	31
Current taxation assets	—	—	2	2
Deferred taxation assets	—	—	2 255	2 255
Other assets	1 638	2 561	1 547	5 746
Property and equipment	—	—	3 427	3 427
Investment properties	—	—	1	1
Goodwill	—	—	172	172
Software	—	—	46	46
Other acquired intangible assets	—	—	64	64
Loans to Group companies	173	21 316	—	21 489
Non-current assets classified as held for sale	498	—	—	498
	139 409	**406 922**	**7 545**	**553 876**
Liabilities				
Deposits by banks	—	18 721	—	18 721
Derivative financial instruments	27 551	—	—	27 551
Other trading liabilities	3 309	—	—	3 309
Repurchase agreements and cash collateral on securities lent	3 152	8 939	—	12 091
Customer accounts (deposits)	56 663	363 409	—	420 072
Debt securities in issue	—	2 845	—	2 845
Liabilities arising on securitisation of own originated loans and advances	—	4 585	—	4 585
Current taxation liabilities	—	—	557	557
Deferred taxation liabilities	—	—	17	17
Other liabilities	1 107	1 819	4 163	7 089
Loans from Group companies	—	1 066	—	1 066
	91 782	**401 384**	**4 737**	**497 903**
Subordinated liabilities	—	9 133	—	9 133
	91 782	**410 517**	**4 737**	**507 036**

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).

		Fair value category		
At 31 March 2022 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	564	—	564	—
Reverse repurchase agreements and cash collateral on securities borrowed	23 346	—	23 346	—
Sovereign debt securities	42 432	42 432	—	—
Bank debt securities	16 274	5 163	11 111	—
Other debt securities	11 084	891	10 193	—
Derivative financial instruments	17 658	—	17 658	—
Securities arising from trading activities	2 276	2 008	268	—
Investment portfolio	2 865	92	4	2 769
Loans and advances to customers	20 601	—	19 824	777
Other assets	1 638	1 638	—	—
Loans to Group companies	173	—	173	—
Non-current assets classified as held for sale	498	—	—	498
	139 409	**52 224**	**83 141**	**4 044**
Liabilities				
Derivative financial instruments	27 551	698	26 853	—
Other trading liabilities	3 309	148	3 161	—
Repurchase agreements and cash collateral on securities lent	3 152	—	3 152	—
Customer accounts (deposits)	56 663	—	56 663	—
Other liabilities	1 107	—	1 107	—
	91 782	**846**	**90 936**	**—**
Net financial assets/(liabilities) at fair value	**47 627**	**51 378**	**(7 795)**	**4 044**

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

Level 3 financial instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2021	2 762	35	474	3 271
Net (losses)/gains recognised in the income statement	(381)	—	24	(357)
Purchases	647	—	—	647
Sales	(60)	—	—	(60)
Issues	4	—	—	4
Settlements	(210)	(13)	—	(223)
Transfers into level 3	—	755	—	755
Foreign exchange adjustments	7	—	—	7
Balance at 31 March 2022	**2 769**	**777**	**498**	**4 044**

For the year ended 31 March 2022, R755.0 million of loans and advances to customers has been transferred from level 2 to level 3, due to inputs related to the measurement of credit risk to the valuation model becoming unobservable.

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 losses included in the income statement recognised on level 3 financial instruments:

For the year to 31 March 2022 R'million	Total	Realised	Unrealised
Total losses included in the income statement for the year			
Investment loss	(357)	(263)	(94)
	(357)	**(263)**	**(94)**

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type
The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking the global COVID-19 pandemic into consideration. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2022	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	Potential impact on the income statement: Unfavourable changes R'million
Assets						
Investment portfolio	2 769				**331**	**(309)**
		Price earnings	EBITDA	*	242	(182)
		Discounted cash flow	Discount rate	13%-14%	2	(2)
		Discounted cash flow	Cash flows	*	23	(23)
		Net asset value	Underlying asset value	^	32	(61)
		Discounted cash flow	Precious and industrial metal prices	(5%)-5%	27	(27)
		Other	Various	**	5	(14)
Loans and advances to customers	777				**152**	**(241)**
		Underlying asset value	Property values	*	150	(239)
		Net asset value	Underlying asset value	^	2	(2)
Non-current assets classified as held for sale	498	Discounted cash flow	Discount rate	13%-16%	11	(38)
Total	**4 044**				**494**	**(588)**

* The EBITDA, cash flows and property values have been stressed on an investment-by-investment and loan-by-loan basis in order to obtain favourable and unfavourable valuations.

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

^ Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.

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

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

Discount 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.

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

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

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

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

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 in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price Discounted cash flow model	Liquidity adjustment Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to Group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

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:

At 31 March 2022 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	11 893	11 893	—	—
Loans and advances to banks	19 609	12 454	7 155	7 149
Non-sovereign and non-bank cash placements	12 612	12 612	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	33 091	6 740	26 351	26 354
Sovereign debt securities	14 948	—	14 948	15 189
Bank debt securities	11 681	595	11 086	11 065
Other debt securities	4 355	3 594	761	782
Loans and advances to customers	266 928	251 425	15 503	15 526
Own originated loans and advances to customers securitised	7 228	7 228	—	—
Other loans and advances	108	108	—	—
Other securitised assets	592	592	—	—
Other assets	2 561	2 561	—	—
Loans to Group companies	21 316	21 316	—	—
	406 922	**331 118**	**75 804**	**76 065**
Liabilities				
Deposits by banks	18 721	545	18 176	18 614
Repurchase agreements and cash collateral on securities lent	8 939	5 319	3 620	3 706
Customer accounts (deposits)	363 409	217 963	145 446	188 067
Debt securities in issue	2 845	1 796	1 049	1 052
Liabilities arising on securitisation of own originated loans and advances	4 585	4 585	—	—
Other liabilities	1 819	1 819	—	—
Loans from Group companies and subsidiaries	1 066	1 066	—	—
Subordinated liabilities	9 133	—	9 133	10 129
	410 517	**233 093**	**177 424**	**221 568**

Investec Bank Limited
Incorporated in the Republic of South Africa
Registration number 1969/004763/06
Issuer code: BIINLP
LEI: 549300RH5FFHO48FXT69

Registered office
100 Grayston Drive
Sandown, Sandton, 2196

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Company Secretary
Niki van Wyk

Debt Sponsor:
Investec Bank Limited

Directors
Khumo Shuenyane (Chair)
Richard Wainwright (Chief Executive)^
Marlé van der Walt (Finance Director)^
Zarina Bassa
David Friedland
Philip Hourquebie
Morris Mthombeni
Vanessa Olver*
Geoffrey Qhena
Fani Titi^

^ Executive Director
* Vanessa Olver was appointed 20 May 2021
David Lawrence retired as Deputy Chair and Director effective
30 September 2021