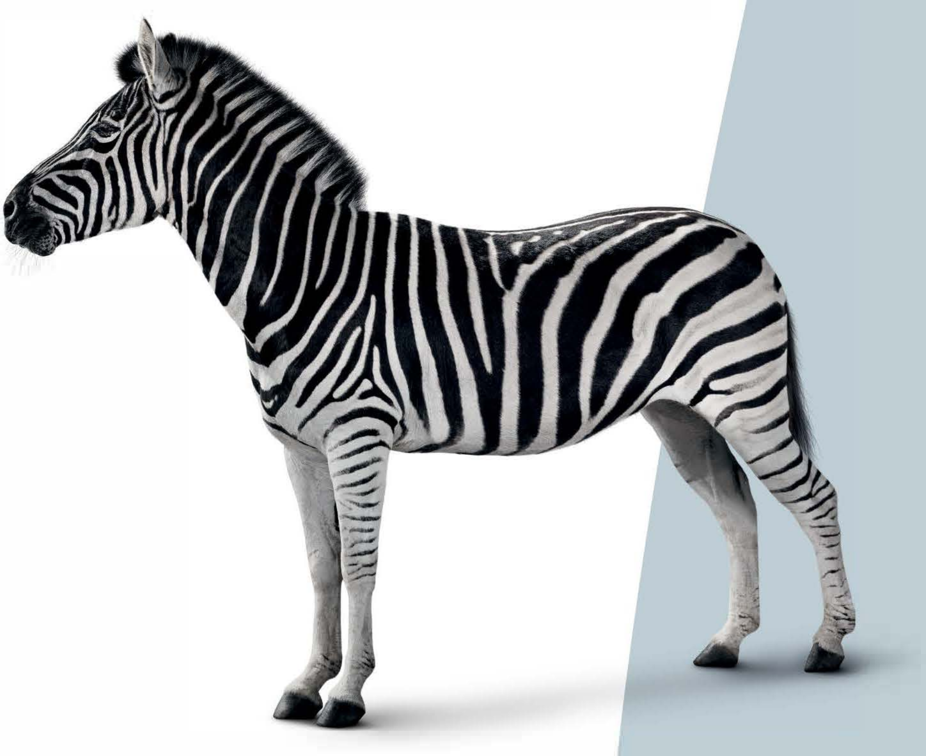
Investec

OUT OF THE ORDINARY

Possibilities and opportunities

Investec Bank Limited
(a subsidiary of Investec Limited)

Unaudited condensed financial information
for the year ended March 2022



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 or the Group's website http://www.investec.com.

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

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

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

All other definitions can be found on page 25.

OVERVIEW OF RESULTS
CONTINUED

Key financial statistics	**31 March 2022**	31 March 2021	% change
Total operating income before expected credit loss impairment charges (R’million)	14 304	12 049	18.7%
Operating costs (R’million)	7 048	6 469	9.0%
Operating profit before goodwill and acquired intangibles (R’million)	7 247	5 013	44.6%
Headline earnings attributable to ordinary shareholders (R’million)	5 260	4 133	27.3%
Cost to income ratio	49.3%	53.7%	
Total capital resources (including subordinated liabilities) (R’million)	55 973	59 481	(5.9%)
Total equity (R’million)	46 840	46 545	0.6%
Total assets (R’million)	553 876	509 492	8.7%
Net core loans and advances (R’million)	294 757	283 240	4.1%
Customer accounts (deposits) (R’million)	420 072	374 369	12.2%
Loans and advances to customers as a % of customer accounts (deposits)	68.4%	73.5%	
Cash and near cash balances (R’million)	159 454	129 759	22.9%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.4x	10.6x	
Total capital ratio^	20.0%	17.8%	
Tier 1 ratio^	16.6%	13.7%	
Common Equity Tier 1 ratio^	15.8%	13.3%	
Leverage ratio^	7.9%	8.1%	
Leverage ratio (fully loaded)^	7.9%	8.1%	
Stage 3 as a % of gross core loans subject to ECL	1.8%	2.5%	
Stage 3 net of ECL as a % of net core loans subject to ECL	1.4%	2.1%	
Credit loss ratio	0.00%	0.18%	
Net Stable Funding Ratio % (NSFR)	112.6%	113.4%	
Liquidity Coverage Ratio % (LCR)*	138.9%	164.0%	

* In 2020, part of the Prudential Authority’s response to the expected negative impact of COVID-19 on liquidity in financial markets was to reduce the LCR requirement for banks from 100% to 80%. On 1 September 2021, the Prudential Authority communicated that the LCR requirement will increase to 90% on 1 January 2022 and back to 100% on 1 April 2022.

^ Investec Bank Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021. 31 March 2021 numbers are reported on the FIRB approach; we have presented numbers on a pro-forma Increased AIRB Scope basis for 31 March 2021 on page 22.

OVERVIEW OF RESULTS
CONTINUED

Financial review

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

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 is 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.

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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Ordinary share premium
At 1 April 2020	**32**	**14 250**
Movement in reserves 1 April 2020 – 31 March 2021		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net loss attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Issue of other Additional Tier 1 securities in issue	—	—
Repurchase of perpetual preference shares	—	—
Net equity movements of interest in associated undertaking	—	—
Capital contribution from Group companies	—	—
Transfer to regulatory general risk reserve	—	—
At 31 March 2021	**32**	**14 250**
Movement in reserves 1 April 2021 – 31 March 2022		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net gain attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Issue of other Additional Tier 1 securities in issue	—	—
Repurchase of perpetual preference shares	—	—
Capital contribution from Group companies	—	—
Transfer from regulatory general risk reserve	—	—
At 31 March 2022	**32**	**14 250**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

Other reserves										
Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 issue securities in issue	**Total equity**
(3 278)	**695**	**(1 551)**	**26**	**3 321**	**26 259**	**39 754**	**1 534**	**41 288**	**460**	**41 748**
—	—	—	—	—	3 997	3 997	—	3 997	—	3 997
—	—	11	—	—	—	11	—	11	—	11
2 025	—	—	—	—	—	2 025	—	2 025	—	2 025
(33)	—	—	—	—	—	(33)	—	(33)	—	(33)
—	—	—	—	(1 224)	—	(1 224)	—	(1 224)	—	(1 224)
415	—	—	—	—	—	415	—	415	—	415
—	—	—	(14)	—	—	(14)	—	(14)	—	(14)
2 407	**—**	**11**	**(14)**	**(1 224)**	**3 997**	**5 177**	**—**	**5 177**	**—**	**5 177**
—	—	—	—	—	(600)	(600)	—	(600)	—	(600)
—	—	—	—	—	(155)	(155)	110	(45)	45	—
—	—	—	—	—	—	—	(110)	(110)	(45)	(155)
—	—	—	—	—	—	—	—	—	723	723
—	—	—	—	—	17	17	(53)	(36)	—	(36)
—	—	—	—	—	(406)	(406)	—	(406)	—	(406)
—	—	—	—	—	94	94	—	94	—	94
—	18	—	—	—	(18)	—	—	—	—	—
(871)	**713**	**(1 540)**	**12**	**2 097**	**29 188**	**43 881**	**1 481**	**45 362**	**1 183**	**46 545**
—	—	—	—	—	5 505	5 505	—	5 505	—	5 505
—	—	(80)	—	—	—	(80)	—	(80)	—	(80)
50	—	—	—	—	—	50	—	50	—	50
(35)	—	—	—	—	—	(35)	—	(35)	—	(35)
—	—	—	—	(70)	—	(70)	—	(70)	—	(70)
(158)	—	—	—	—	—	(158)	—	(158)	—	(158)
—	—	—	1	—	—	1	—	1	—	1
(143)	**—**	**(80)**	**1**	**(70)**	**5 505**	**5 213**	**—**	**5 213**	**—**	**5 213**
—	—	—	—	—	(5 550)	(5 550)	—	(5 550)	—	(5 550)
—	—	—	—	—	(267)	(267)	110	(157)	157	—
—	—	—	—	—	—	—	(110)	(110)	(157)	(267)
—	—	—	—	—	—	—	—	—	1 377	1 377
—	—	—	—	—	19	19	(1 481)	(1 462)	—	(1 462)
946	—	—	—	—	38	984	—	984	—	984
—	(48)	—	—	—	48	—	—	—	—	—
(68)	**665**	**(1 620)**	**13**	**2 027**	**28 981**	**44 280**	**—**	**44 280**	**2 560**	**46 840**

CONSOLIDATED SEGMENTAL INFORMATION

	Specialist Banking				
	Private Client				
For the year to 31 March 2022 **R'million**	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	**Total Group**
Net interest income/(expense)	5 577	4 718	(85)	—	10 210
Net fee and commission income	1 137	1 933	—	—	3 070
Investment income/(loss)	323	64	(146)	—	241
Share of post-taxation profit of associates	3	—	50	—	53
Trading income/(loss) arising from					
– customer flow	—	724	—	—	724
– balance sheet management and other trading activities	(4)	9	—	—	5
Other operating income	—	1	—	—	1
Total operating income before expected credit loss impairment charges	**7 036**	**7 449**	**(181)**	**—**	**14 304**
Expected credit loss impairment charges	368	(377)	—	—	(9)
Operating income	**7 404**	**7 072**	**(181)**	**—**	**14 295**
Operating costs	(3 351)	(3 373)	—	(324)	(7 048)
Profit before goodwill, acquired intangibles and taxation	**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				
For the year to 31 March 2021 **R'million**	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	**Total Group**
Net interest income/(expense)	4 651	4 405	(270)	—	8 786
Net fee and commission income	957	1 380	—	—	2 337
Investment income/(loss)	19	(2)	455	—	472
Share of post-taxation profit of associates	(8)	—	89	—	81
Trading income/(loss) arising from					
– customer flow	(1)	628	—	—	627
– balance sheet management and other trading activities	—	(194)	(63)	—	(257)
Other operating income	—	3	—	—	3
Total operating income before expected credit loss impairment charges	**5 618**	**6 220**	**211**	**—**	**12 049**
Expected credit loss impairment charges	(34)	(533)	—	—	(567)
Operating income	**5 584**	**5 687**	**211**	**—**	**11 482**
Operating costs	(2 981)	(3 164)	—	(324)	(6 469)
Profit before goodwill, acquired intangibles and taxation	**2 603**	**2 523**	**211**	**(324)**	**5 013**
Cost to income ratio	53.1%	50.9%	n/a	n/a	53.7%
Total assets (R'million)	210 420	291 008	8 064	—	509 492

INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the year to 31 March R'million	Notes	**2022** Average balance sheet value	**2022** Interest income	**2022** Average yield	2021 Average balance sheet value	2021 Interest income	2021 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	167 273	5 582	3.34%	161 758	5 424	3.35%
Core loans and advances	2	290 326	19 518	6.72%	281 126	19 599	6.97%
Private Client		217 973	14 106	6.47%	205 004	13 477	6.57%
Corporate, Investment Banking and Other		72 353	5 412	7.48%	76 122	6 122	8.04%
Other debt securities and other loans and advances		16 004	636	3.97%	16 263	899	5.53%
Other	3	22 197	494	n/a	18 645	448	n/a
		495 800	**26 230**		**477 792**	**26 370**	

For the year to 31 March R'million	Notes	**2022** Average balance sheet value	**2022** Interest expense	**2022** Average yield	2021 Average balance sheet value	2021 Interest expense	2021 Average yield
Deposits by banks and other debt-related securities	4	33 551	(767)	2.29%	59 140	(1 447)	2.45%
Customer accounts (deposits)		400 266	(14 128)	3.53%	369 007	(14 999)	4.06%
Subordinated liabilities		11 255	(740)	6.57%	11 917	(803)	6.74%
Other	5	5 289	(385)	n/a	5 547	(335)	n/a
		450 361	**(16 020)**		**445 611**	**(17 584)**	
Net interest income			**10 210**			**8 786**	
Net interest margin			**2.06%**			**1.84%**	

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets and loans to Group companies as well as interest income from derivative financial instruments where there is no associated balance sheet value.
4. Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5. Comprises (as per the balance sheet) liabilities arising on securitisation of own originated loans and advances, finance lease liabilities and loans from Group companies, as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

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.

Investment income

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit share	**Investment portfolio**	Debt securities (sovereign bank and other)	Trading properties	Other asset categories	**Total**
2022									
Realised	1	30	—	169	200	61	27	12	300
Unrealised^	19	(189)*	(223)	—	(393)	12	—	43	(338)
Dividend income	96	207*	—	—	303	—	—	—	303
Funding and other net related costs	—	(22)	—	—	(22)	—	(2)	—	(24)
	116	**26**	**(223)**	**169**	**88**	**73**	**25**	**55**	**241**
2021									
Realised	183	(44)	—	51	190	63	(5)	—	248
Unrealised^	108	19	(200)	—	(73)	(19)	—	(46)	(138)
Dividend income	290	97	—	—	387	—	—	—	387
Funding and other net related costs	—	(24)	—	—	(24)	—	(1)	—	(25)
	581	**48**	**(200)**	**51**	**480**	**44**	**(6)**	**(46)**	**472**

^ In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised item.
* Includes dividend income and unrealised fair value gains from unlisted equities classified as non-current assets held for sale.

ADDITIONAL IAS 34 DISCLOSURES

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**

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 2022 R'million	**Total instruments at fair value**	Fair value category 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**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Transfers between level 1 and level 2

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

Level 3 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 as 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)**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking the global 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:

					Potential impact on the income statement	
At 31 March 2022	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range of unobservable input used	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Investment portfolio	2 769				**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.

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

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

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Fair value of financial assets and liabilities at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost:

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**

ASSET QUALITY

An analysis of gross core loans, asset quality and ECL

R'million	31 March 2022	31 March 2021
Gross core loans	**297 451**	285 968
of which subject to ECL*	296 094	284 547
of which FVPL (excluding fixed rate loans above)	1 357	1 421
Gross core loans subject to ECL	**296 094**	284 547
Stage 1	273 138	262 395
Stage 2	17 589	14 969
of which past due greater than 30 days	328	272
Stage 3	5 367	7 183
ECL	**(2 694)**	(2 728)
Stage 1	(868)	(984)
Stage 2	(620)	(416)
Stage 3	(1 206)	(1 328)
Coverage ratio		
Stage 1	0.32%	0.38%
Stage 2	3.5%	2.8%
Stage 3	22.5%	18.5%
Credit loss ratio	**0.00%**	0.18%
ECL impairment charges on core loans	(7)	(519)
Average gross core loans subject to ECL	290 320	284 842
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	4 161	5 855
Aggregate collateral and other credit enhancements on Stage 3	5 734	8 253
Stage 3 as a % of gross core loans subject to ECL	1.8%	2.5%
Total ECL as a % of Stage 3 exposure	50.2%	38.0%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.4%	2.1%

* Includes portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis. These are fixed rate loans which have passed the Solely Payments of Principal and Interest (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 (R19 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: R22 billion). The ECL on the portfolio is R76 million (31 March 2021: R105 million).

RISK APPETITE

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

R'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Gross core loans at amortised cost and FVPL (subject to ECL)									
At 31 March 2022										
Commercial real estate	**47 228**	**(200)**	**4 374**	**(116)**	**1 356**	**(309)**	**52 958**	**(625)**	**—**	**52 958**
Commercial real estate – investment	44 645	(193)	4 305	(115)	1 351	(308)	50 301	(616)	—	50 301
Commercial real estate – development	1 997	(6)	52	—	—	—	2 049	(6)	—	2 049
Commercial vacant land and planning	586	(1)	17	(1)	5	(1)	608	(3)	—	608
Residential real estate	**5 647**	**(25)**	**1 581**	**(10)**	**234**	**(2)**	**7 462**	**(37)**	**—**	**7 462**
Residential real estate – investment	2 393	(5)	564	(9)	—	—	2 957	(14)	—	2 957
Residential real estate – development	2 451	(14)	1 003	(1)	—	—	3 454	(15)	—	3 454
Residential vacant land and planning	803	(6)	14	—	234	(2)	1 051	(8)	—	1 051
Total lending collateralised by property	**52 875**	**(225)**	**5 955**	**(126)**	**1 590**	**(311)**	**60 420**	**(662)**	**—**	**60 420**
Coverage ratio		**0.43%**		**2.1%**		**19.6%**		**1.1%**		
At 31 March 2021										
Commercial real estate	**46 387**	**(227)**	**2 816**	**(78)**	**2 197**	**(262)**	**51 400**	**(567)**	**—**	**51 400**
Commercial real estate – investment	42 281	(202)	2 704	(77)	2 182	(256)	47 167	(535)	—	47 167
Commercial real estate – development	3 404	(22)	49	(1)	—	—	3 453	(23)	—	3 453
Commercial vacant land and planning	702	(3)	63	—	15	(6)	780	(9)	—	780
Residential real estate	**7 706**	**(29)**	**229**	**(6)**	**105**	**(22)**	**8 040**	**(57)**	**—**	**8 040**
Residential real estate – investment	3 792	(11)	—	—	96	(19)	3 888	(30)	—	3 888
Residential real estate – development	3 189	(15)	226	(6)	—	—	3 415	(21)	—	3 415
Residential vacant land and planning	725	(3)	3	—	9	(3)	737	(6)	—	737
Total lending collateralised by property	**54 093**	**(256)**	**3 045**	**(84)**	**2 302**	**(284)**	**59 440**	**(624)**	**—**	**59 440**
Coverage ratio		**0.47%**		**2.8%**		**12.3%**		**1.1%**		

RISK APPETITE
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 2022										
Mortgages	80 276	(64)	4 337	(172)	1 169	(204)	85 782	(440)	—	85 782
High net worth and specialised lending*	68 163	(228)	662	(19)	1 466	(157)	70 291	(404)	—	70 291
Total high net worth and other private client lending	**148 439**	**(292)**	**4 999**	**(191)**	**2 635**	**(361)**	**156 073**	**(844)**	**—**	**156 073**
Coverage ratio		**0.20%**		**3.8%**		**13.7%**		**0.5%**		
At 31 March 2021										
Mortgages	76 604	(133)	3 632	(134)	1 391	(318)	81 627	(585)	—	81 627
High net worth and specialised lending*	63 119	(261)	1 063	(20)	1 471	(324)	65 653	(605)	—	65 653
Total high net worth and other private client lending	**139 723**	**(394)**	**4 695**	**(154)**	**2 862**	**(642)**	**147 280**	**(1 190)**	**—**	**147 280**
Coverage ratio		**0.28%**		**3.3%**		**22.4%**		**0.8%**		

* 60% of High net worth and specialised lending (31 March 2021: 58%) relates to lending collateralised by property which is supported by high net worth clients.

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 2022										
Corporate and acquisition finance	49 777	(274)	6 312	(291)	969	(440)	57 058	(1 005)	1 357	58 415
Fund finance	7 461	(12)	—	—	—	—	7 461	(12)	—	7 461
Financial institutions and governments	3 192	(6)	—	—	19	(2)	3 211	(8)	—	3 211
Small ticket asset finance	4 120	(17)	103	(1)	153	(91)	4 376	(109)	—	4 376
Aviation finance*	1 494	(25)	131	(9)	1	(1)	1 626	(35)	—	1 626
Power and infrastructure finance	5 780	(17)	89	(2)	—	—	5 869	(19)	—	5 869
Total corporate and other lending	**71 824**	**(351)**	**6 635**	**(303)**	**1 142**	**(534)**	**79 601**	**(1 188)**	**1 357**	**80 958**
Coverage ratio		**0.49%**		**4.6%**		**46.8%**		**1.5%**		
At 31 March 2021										
Corporate and acquisition finance	44 943	(216)	6 425	(160)	1 462	(339)	52 830	(715)	1 421	54 251
Fund finance	7 624	(29)	—	—	—	—	7 624	(29)	—	7 624
Financial institutions and governments	3 351	(4)	156	(4)	3	—	3 510	(8)	—	3 510
Small ticket asset finance	4 127	(48)	219	(11)	506	(40)	4 852	(99)	—	4 852
Aviation 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
Total corporate and other lending	**68 579**	**(334)**	**7 229**	**(178)**	**2 019**	**(402)**	**77 827**	**(914)**	**1 421**	**79 248**
Coverage ratio		**0.49%**		**2.5%**		**19.9%**		**1.2%**		

* Aviation finance (previously reported as Large ticket asset finance), has additional exposures in Corporate and acquisition finance of R640 million (31 March 2021: R1.2 billion) and Financial institutions and governments of R213 million (31 March 2021: R914 million).

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	Increased AIRB Scope *		FIRB
	31 March 2022^	31 March 2021^	31 March 2021^
Common Equity Tier 1	15.8%	14.0%	13.3%
Common Equity Tier 1 (fully loaded)^^	15.8%	14.0%	13.3%
Tier 1 ratio	16.6%	14.4%	13.7%
Total capital ratio	20.0%	18.6%	17.8%
Risk-weighted assets (R'million)	286 903	314 843	329 366
Leverage exposure measure (R'million)	608 062	556 110	555 992
Leverage ratio**	7.9%	8.1%	8.1%
Leverage ratio** (fully loaded)^^	7.9%	8.1%	8.1%

Capital structure and capital adequacy

	Increased AIRB Scope *		FIRB
R'million	**31 March 2022^**	31 March 2021^	31 March 2021^
Shareholders' equity	**44 280**	**43 881**	**43 881**
Shareholders' equity per balance sheet	44 280	45 362	45 362
Perpetual preference share capital and share premium	—	(1 481)	(1 481)
Regulatory adjustments to the accounting basis	**1 378**	**1 337**	**1 337**
Prudent valuation adjustment	(231)	(190)	(190)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(12)	(12)	(12)
Cash flow hedging reserve	1 621	1 539	1 539
Deductions	**(452)**	**(1 283)**	**(1 401)**
Goodwill and intangible assets net of deferred tax	(282)	(388)	(388)
Investment in financial entity	—	(656)	(667)
Shortfall of eligible provisions compared to expected loss	(170)	(239)	(346)
Common Equity Tier 1 capital	**45 206**	**43 935**	**43 817**
Additional Tier 1 capital	**2 560**	**1 336**	**1 336**
Additional Tier 1 instruments	2 560	2 664	2 664
Phase out of non-qualifying Additional Tier 1 instruments	—	(1 328)	(1 328)
Tier 1 capital	**47 766**	**45 271**	**45 153**
Tier 2 capital	**9 557**	**13 370**	**13 370**
Collective impairment allowances	424	434	434
Tier 2 instruments	9 133	12 936	12 936
Total regulatory capital	**57 323**	**58 641**	**58 523**
Risk-weighted assets	**286 903**	**314 843**	**329 366**

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

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

^ Investec Bank Limited's capital information included unappropriated profits at 31 March 2022. If unappropriated profits had been excluded from capital information, Investec Bank Limited's CET 1 ratio would have be 69bps lower (March 2021: 48bps 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 2022.

CAPITAL ADEQUACY
CONTINUED

Capital requirements

R'million	Increased AIRB Scope * 31 March 2022^	FIRB 31 March 2021^
Capital requirements	**34 428**	**34 583**
Credit risk	27 904	29 156
Equity risk	1 470	1 046
Counterparty credit risk	1 057	1 024
Credit valuation adjustment risk	655	619
Market risk	481	408
Operational risk	2 861	2 330
Risk-weighted assets	**286 903**	**329 366**
Credit risk	232 521	277 679
Equity risk	12 253	9 959
Counterparty credit risk	8 812	9 756
Credit valuation adjustment risk	5 462	5 892
Market risk	4 010	3 887
Operational risk	23 845	22 193

Leverage

R'million	31 March 2022^	31 March 2021^
Total exposure measure	608 062	555 992
Tier 1 capital	47 766	45 153
Leverage ratio**	**7.9%**	**8.1%**
Total exposure measure (fully loaded)	608 062	555 992
Tier 1 capital (fully loaded)^^	47 766	44 999
Leverage ratio (fully loaded)^^**	**7.9%**	**8.1%**

* Investec Bank Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021.
** The leverage ratios are calculated on an end-quarter basis.
^ Investec Bank Limited's capital information included unappropriated profits at 31 March 2022. If unappropriated profits had been excluded from capital information, Investec Bank Limited's CET 1 ratio would have be 69bps lower (March 2021: 48bps 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 2022.

ALTERNATIVE PERFORMANCE MEASURES

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

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro forma financial information. The pro forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows. The external auditors performed a review of the pro-forma financial information and the opinion is available for inspection at the registered office of Investec upon request.

Annuity income	Net interest income (refer to page 11) plus net annuity fees and commissions (refer to page 12)
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 2022**	31 March 2021
Loans and advances to customers per the balance sheet	287 529	275 056
Add: Own originated loans and advances to customers per the balance sheet	7 228	8 184
Net core loans	**294 757**	**283 240**
of which subject to ECL*	293 400	281 819
Net core loans at amortised cost	274 156	259 531
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	19 244	22 288
of which FVPL (excluding fixed rate loans above)	1 357	1 421
Add: ECL	2 694	2 728
Gross core loans	**297 451**	**285 968**
of which subject to ECL*	296 094	284 547
of which FVPL (excluding fixed rate loans above)	1 357	1 421

^ 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 (R19 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: R22 billion). The ECL on the portfolio is R76 million (31 March 2021: R105 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 2022**	31 March 2021
Operating costs (A)	7 048	6 469
Total operating income before expected credit loss impairment charges	14 304	12 049
Less: Profit attributable to other non-controlling interests	—	—
Total (B)	14 304	12 049
Cost to income ratio (A/B)	**49.3%**	**53.7%**

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	Annualised ECL impairment charges on core loans as a percentage of average gross core loans
Gearing ratio	Total assets excluding intergroup loans divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 11

DEFINITIONS

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

ECL
Expected credit loss.

FVOCI
Fair value through other comprehensive income.

FVPL
Fair value through profit and loss.

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

Refer to page 11 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 11 for calculation

Subject to ECL
Includes financial assets held at amortised cost as well as designated at FVPL loan portfolios for which ECL is not required for IFRS purposes but for which management evaluates on this basis.

Investec