

Creating enduring worth

Investec Bank Limited
(a subsidiary of Investec
Limited)

Unaudited condensed
consolidated financial information
for the year ended 31 March 2023



OVERVIEW OF RESULTS

Introduction

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

→ The description of alternative performance measures and their calculation is provided on page [23](#).

→ All other definitions can be found on page [24](#).

Key financial statistics	31 March 2023	31 March 2022	% change
Total operating income before expected credit loss impairment charges (R'million)	17 054	14 304	19.2%
Operating costs (R'million)	8 126	7 048	15.3%
Operating profit before goodwill and acquired intangibles (R'million)	8 639	7 247	19.2%
Headline earnings attributable to ordinary shareholders (R'million)	6 537	5 260	24.3%
Cost to income ratio	47.6%	49.3%	
Total capital resources (including subordinated liabilities) (R'million)	54 474	55 973	(2.7%)
Total equity (R'million)	46 726	46 840	(0.2%)
Total assets (R'million)^	597 174	554 723	7.7%
Net core loans and advances (R'million)	318 152	294 757	7.9%
Customer accounts (deposits) (R'million)	448 718	420 072	6.8%
Loans and advances to customers as a % of customer accounts (deposits)	69.6%	68.4%	
Cash and near cash balances (R'million)	171 400	159 454	7.5%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	12.0x	11.4x	
Total capital ratio	21.2%	20.0%	
Tier 1 ratio	18.2%	16.6%	
Common Equity Tier 1 ratio	17.1%	15.8%	
Leverage ratio	7.2%	7.9%	
Stage 3 as a % of gross core loans subject to ECL	2.7%	1.8%	
Stage 3 net of ECL as a % of net core loans subject to ECL	2.1%	1.4%	
Credit loss ratio	0.08%	0.00%	
Net Stable Funding Ratio % (NSFR)	116.4%	112.6%	
Liquidity Coverage Ratio % (LCR)**	153.6%	138.9%	

^ Restated as detailed on page [17](#).

** 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.

OVERVIEW OF RESULTS

CONTINUED

Financial review

Unless the context indicates otherwise, all comparatives relate to the year ended 31 March 2022 (FY2022)

Salient operational features for the period under review include:

Total operating income before expected credit loss (ECL) impairment charges increased by 19.2% to R17 054 million (FY2022: R14 304 million). The components of operating income are analysed further below:

- Net interest income increased 25.0% to R12 765 million (FY2022: R10 210 million) driven by higher average interest earning assets and rising interest rates. Net core loans grew by 7.9% to R318.2 billion (FY2022: R294.8 billion) driven primarily by increased credit demand in corporate lending portfolios and a higher residential mortgage book.
- Net fee and commission income increased 10.0% to R3 378 million (FY2022: R3 070 million) reflecting growth in client point of sale activity, higher utilisation of trade finance facilities and increased activity in investment banking.
- Investment income grew 13.7% to R274 million (FY2022: R241 million) as improved realised income was partially offset by lower dividend flows.
- Trading income from client flow declined 17.5% to R597 million (FY2022: R724 million) due to lower deal activity, while trading income from balance sheet activities increased to R42 million (FY2022: R5 million) as a result of mark-to-market adjustments on hedging activities.

ECL impairment charges increased to R289 million from R9 million in the prior year. The higher charge was primarily driven by the idiosyncratic stage 3 ECL charges on certain exposures. Post-model management overlays of R106 million previously held for anticipated migration risk in Private Bank have been released and are now catered for in-model. The remaining management overlay at year end of R113 million (FY2022: R219 million) accounts for emerging risks assessed as inadequately reflected in the forward-looking model for commercial real estate lending clients. ECL charged was positively impacted by the reversal of impairments and recoveries on previously impaired loans.

The cost to income ratio improved to 47.6% (FY2022: 49.3%). Operating costs increased 15.3% to R8 126 million (FY2022: R7 048 million) driven by higher personnel expenses due to salary increases, increased headcount, variable remuneration and the post-pandemic normalisation of discretionary expenditure.

As a result of the foregoing factors, profit before taxation increased 19.4% to R8 587million (FY2022: R7 193 million) while profit after taxation increased 23.4% to R6 792 million (FY2022: R5 505 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	Year to 31 March 2023	Year to 31 March 2022
Interest income	38 112	26 230
Interest expense	(25 347)	(16 020)
Net interest income	12 765	10 210
Fee and commission income	4 106	3 609
Fee and commission expense	(728)	(539)
Investment income	274	241
Share of post-taxation (loss)/profit of associates	(3)	53
Trading income arising from		
– customer flow	597	724
– balance sheet management and other trading activities	42	5
Other operating income	1	1
Total operating income before expected credit loss impairment charges	17 054	14 304
Expected credit loss impairment charges	(289)	(9)
Operating income	16 765	14 295
Operating costs	(8 126)	(7 048)
Operating profit before goodwill and acquired intangibles	8 639	7 247
Impairment of goodwill	(1)	(3)
Amortisation of acquired intangibles	(51)	(51)
Profit before taxation	8 587	7 193
Taxation on operating profit before acquired intangibles	(1 809)	(1 703)
Taxation on acquired intangibles	14	15
Profit after taxation	6 792	5 505
Profit after taxation attributable to ordinary shareholders	6 536	5 238
Profit after taxation attributable to perpetual preference shareholders and Other Additional Tier 1 security holders	256	267

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

R'million	Year to 31 March 2023	Year to 31 March 2022
Profit after taxation	6 792	5 505
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*	271	(80)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	121	50
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(59)	(35)
Foreign currency adjustments on translating foreign operations	1 425	(70)
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)
Net gain attributable to own credit risk*	2	1
Total comprehensive income	8 552	5 213
Total comprehensive income attributable to ordinary shareholders	8 296	4 946
Total comprehensive income attributable to perpetual preference shareholders and Other Additional Tier 1 security holders	256	267
Total comprehensive income	8 552	5 213

* Net of taxation expense of R230.3 million (2022: R234.4 million).

[^] All equity instruments at FVOCI were disposed of in the prior year.

HEADLINE EARNINGS

R'million	Year to 31 March 2023	Year to 31 March 2022
Profit after taxation	6 792	5 505
Dividend paid to perpetual preference shareholders and Other Additional Tier 1 security holders	(256)	(267)
Gain on repurchase of perpetual preference shares	—	19
Earnings attributable to ordinary shareholders	6 536	5 257
Headline adjustments	1	3
Impairment of goodwill	1	3
Headline earnings attributable to ordinary shareholders	6 537	5 260

CONSOLIDATED BALANCE SHEET

At R'million	31 March 2023	31 March 2022 [^]	31 March 2021 [^]
Assets			
Cash and balances at central banks	22 761	11 893	9 653
Loans and advances to banks	10 502	19 609	24 666
Non-sovereign and non-bank cash placements	14 133	13 176	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	49 995	56 437	30 221
Sovereign debt securities	77 456	57 380	53 009
Bank debt securities	16 019	27 955	21 862
Other debt securities	11 676	15 439	14 170
Derivative financial instruments	16 449	17 144	18 531
Securities arising from trading activities	6 735	2 276	2 869
Investment portfolio	2 926	2 865	4 923
Loans and advances to customers	312 164	287 529	275 056
Own originated loans and advances to customers securitised	5 988	7 228	8 184
Other loans and advances	1	108	181
Other securitised assets	547	592	578
Interests in associated undertakings	33	31	5 149
Current taxation assets	1	2	35
Deferred taxation assets	2 077	2 255	2 412
Other assets	6 334	7 107	8 850
Property and equipment	3 306	3 427	2 740
Investment properties	—	1	1
Goodwill	171	172	175
Software	127	46	95
Other acquired intangible assets	13	64	118
Loans to Group companies	37 760	21 489	17 410
Non-current assets classified as held for sale	—	498	474
	597 174	554 723	510 318
Liabilities			
Deposits by banks	26 420	18 721	17 144
Derivative financial instruments	33 242	28 398	23 837
Other trading liabilities	1 542	3 309	3 388
Repurchase agreements and cash collateral on securities lent	17 933	12 091	16 593
Customer accounts (deposits)	448 718	420 072	374 369
Debt securities in issue	2 585	2 845	2 126
Liabilities arising on securitisation of own originated loans and advances	3 594	4 585	3 271
Current taxation liabilities	848	557	684
Deferred taxation liabilities	19	17	32
Other liabilities	7 087	7 089	7 421
Loans from Group companies	712	1 066	1 972
	542 700	498 750	450 837
Subordinated liabilities	7 748	9 133	12 936
	550 448	507 883	463 773
Equity			
Ordinary share capital	32	32	32
Ordinary share premium	14 250	14 250	14 250
Other reserves	2 910	1 017	411
Retained income	26 824	28 981	29 188
Ordinary shareholders' equity	44 016	44 280	43 881
Perpetual preference share capital and premium	—	—	1 481
Shareholders' equity excluding non-controlling interests	44 016	44 280	45 362
Other Additional Tier 1 securities in issue	2 710	2 560	1 183
Total equity	46 726	46 840	46 545
Total liabilities and equity	597 174	554 723	510 318

[^] Restated as detailed on page 17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'million	Ordinary share capital	Ordinary share premium
At 1 April 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 to regulatory general risk reserve	—	—
At 31 March 2022	32	14 250
Movement in reserves 1 April 2022 – 31 March 2023		
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	—	—
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	—	—
Capital contribution from Group companies	—	—
Employee benefit liability recognised	—	—
Transfer from regulatory general risk reserve	—	—
At 31 March 2023	32	14 250

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 issue securities in issue	Total equity
Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income					
(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
—	—	—	—	—	6 792	6 792	—	6 792	—	6 792
—	—	271	—	—	—	271	—	271	—	271
121	—	—	—	—	—	121	—	121	—	121
(59)	—	—	—	—	—	(59)	—	(59)	—	(59)
—	—	—	—	1 425	—	1 425	—	1 425	—	1 425
—	—	—	2	—	—	2	—	2	—	2
62	—	271	2	1 425	6 792	8 552	—	8 552	—	8 552
—	—	—	—	—	(8 700)	(8 700)	—	(8 700)	—	(8 700)
—	—	—	—	—	(256)	(256)	—	(256)	256	—
—	—	—	—	—	—	—	—	—	(256)	(256)
—	—	—	—	—	—	—	—	—	150	150
—	—	—	—	—	225	225	—	225	—	225
—	—	—	—	—	(85)	(85)	—	(85)	—	(85)
—	133	—	—	—	(133)	—	—	—	—	—
(6)	798	(1 349)	15	3 452	26 824	44 016	—	44 016	2 710	46 726

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

R'million	Year to 31 March 2023	Year to 31 March 2022
Net cash inflow from operating activities	13 700	7 204
Net cash (outflow)/inflow from investing activities	(282)	2 842
Net cash outflow from financing activities*	(11 100)	(10 083)
Effects of exchange rate changes on cash and cash equivalents	1 135	(51)
Net increase/(decrease) in cash and cash equivalents	3 453	(88)
Cash and cash equivalents at the beginning of the year	42 027	42 115
Cash and cash equivalents at the end of the year	45 480	42 027

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 from financing activities comprises:

R'million	Year to 31 March 2023	Year to 31 March 2022
Redemption of perpetual preference shares	—	(1 462)
Proceeds on issue of subordinated liabilities	2 359	1 500
Repayment of subordinated liabilities	(4 576)	(5 596)
Dividends paid	(8 956)	(5 817)
Proceeds on issue of Other Additional Tier 1 securities	150	1 377
Lease liabilities paid	(77)	(85)
Net cash outflow from financing activities	(11 100)	(10 083)

CONSOLIDATED SEGMENTAL INFORMATION

	Specialist Banking		Group Investments	Group Costs	Total Group
	Private Client	Corporate, Investment Banking and Other			
For the year to 31 March 2023 R'million	Private Banking				
Net interest income/(expense)	6 133	6 646	(14)	—	12 765
Net fee and commission income	1 193	2 185	—	—	3 378
Investment income/(loss)	310	(40)	4	—	274
Share of post-taxation loss of associates	(3)	—	—	—	(3)
Trading income arising from					
– customer flow	—	597	—	—	597
– balance sheet management and other trading activities	—	42	—	—	42
Other operating income	—	1	—	—	1
Total operating income before expected credit loss impairment charges	7 633	9 431	(10)	—	17 054
Expected credit loss impairment charges	(247)	(42)	—	—	(289)
Operating income	7 386	9 389	(10)	—	16 765
Operating costs	(3 690)	(4 120)	(2)	(314)	(8 126)
Profit before goodwill, acquired intangibles and taxation	3 696	5 269	(12)	(314)	8 639
Cost to income ratio	48.3%	43.7%	n/a	n/a	47.6%
Total assets (R'million)	229 507	366 989	678	—	597 174

	Specialist Banking		Group Investments	Group Costs	Total Group
	Private Client	Corporate, Investment Banking and Other			
For the year to 31 March 2022 R'million	Private Banking				
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	330 174	730	—	554 723

^ Restated as detailed on page 17.

INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the year to 31 March R'million	Notes	2023			2022		
		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	186 367	9 472	5.08%	167 273	5 582	3.34%
Core loans and advances	2	307 315	26 932	8.76%	290 326	19 518	6.72%
Private Client		224 838	19 417	8.64%	217 973	14 106	6.47%
Corporate, Investment Banking and Other		82 477	7 515	9.11%	72 353	5 412	7.48%
Other debt securities and other loans and advances		12 647	661	5.23%	16 004	636	3.97%
Other	3	28 156	1 047	n/a	22 197	494	n/a
		534 485	38 112		495 800	26 230	

For the year to 31 March R'million	Notes	2023			2022		
		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	37 751	(1 572)	4.16%	33 551	(767)	2.29%
Customer accounts (deposits)		433 434	(22 745)	5.25%	400 266	(14 128)	3.53%
Subordinated liabilities		7 565	(511)	6.75%	11 255	(740)	6.57%
Other	5	4 863	(519)	n/a	5 289	(385)	n/a
		483 613	(25 347)		450 361	(16 020)	
Net interest income			12 765			10 210	
Net interest margin			2.39%			2.06%	

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	2023	2022
Specialist Banking net fee and commission income	3 378	3 070
Specialist Banking fee and commission income	4 106	3 609
Specialist Banking fee and commission expense	(728)	(539)
Net fee and commission income	3 378	3 070
Annuity fees (net of fees payable)	1 880	1 767
Deal fees	1 498	1 303

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 and liability categories	Total
2023									
Realised	—	32	—	90	122	200	60	11	393
Unrealised^	(21)	(76)	—	10	(87)	25	—	(122)	(184)
Dividend income	12	96	—	—	108	—	—	—	108
Funding and other net related costs	—	(39)	—	—	(39)	—	(4)	—	(43)
	(9)	13	—	100	104	225	56	(111)	274
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

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

* Includes income 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 2023 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	—	22 761	—	22 761
Loans and advances to banks	—	10 502	—	10 502
Non-sovereign and non-bank cash placements	130	14 003	—	14 133
Reverse repurchase agreements and cash collateral on securities borrowed	13 515	36 480	—	49 995
Sovereign debt securities	51 816	25 640	—	77 456
Bank debt securities	9 067	6 952	—	16 019
Other debt securities	6 926	4 750	—	11 676
Derivative financial instruments	16 449	—	—	16 449
Securities arising from trading activities	6 735	—	—	6 735
Investment portfolio	2 926	—	—	2 926
Loans and advances to customers	15 331	296 833	—	312 164
Own originated loans and advances to customers securitised	—	5 988	—	5 988
Other loans and advances	—	1	—	1
Other securitised assets	—	547	—	547
Interests in associated undertakings	—	—	33	33
Current taxation assets	—	—	1	1
Deferred taxation assets	—	—	2 077	2 077
Other assets	2 373	1 717	2 244	6 334
Property and equipment	—	—	3 306	3 306
Goodwill	—	—	171	171
Software	—	—	127	127
Other acquired intangible assets	—	—	13	13
Loans to Group companies	—	37 760	—	37 760
	125 268	463 934	7 972	597 174
Liabilities				
Deposits by banks	—	26 420	—	26 420
Derivative financial instruments	33 242	—	—	33 242
Other trading liabilities	1 542	—	—	1 542
Repurchase agreements and cash collateral on securities lent	3 710	14 223	—	17 933
Customer accounts (deposits)	69 972	378 746	—	448 718
Debt securities in issue	—	2 585	—	2 585
Liabilities arising on securitisation of own originated loans and advances	—	3 594	—	3 594
Current taxation liabilities	—	—	848	848
Deferred taxation liabilities	—	—	19	19
Other liabilities	1 038	1 932	4 117	7 087
Loans from Group companies	47	665	—	712
	109 551	428 165	4 984	542 700
Subordinated liabilities	—	7 748	—	7 748
	109 551	435 913	4 984	550 448

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).

		Fair value category		
At 31 March 2023 R'million	Total instruments at fair value	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	130	—	130	—
Reverse repurchase agreements and cash collateral on securities borrowed	13 515	—	13 515	—
Sovereign debt securities	51 816	51 816	—	—
Bank debt securities	9 067	4 528	4 539	—
Other debt securities	6 926	2 239	4 687	—
Derivative financial instruments	16 449	—	16 449	—
Securities arising from trading activities	6 735	6 360	375	—
Investment portfolio	2 926	45	4	2 877
Loans and advances to customers	15 331	—	14 602	729
Other assets	2 373	2 373	—	—
	125 268	67 361	54 301	3 606
Liabilities				
Derivative financial instruments	33 242	—	33 242	—
Other trading liabilities	1 542	494	1 048	—
Repurchase agreements and cash collateral on securities lent	3 710	—	3 710	—
Customer accounts (deposits)	69 972	—	69 972	—
Other liabilities	1 038	—	1 038	—
Loans from Group companies	47	—	47	—
	109 551	494	109 057	—
Net financial assets/(liabilities) at fair value	15 717	66 867	(54 756)	3 606

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 2022	2 769	777	498	4 044
Net gains/(losses) recognised in the income statement	55	(178)	—	(123)
Purchases	130	—	—	130
Sales	(46)	—	(498)	(544)
Issues	14	169	—	183
Settlements	(63)	(39)	—	(102)
Foreign exchange adjustments	18	—	—	18
Balance at 31 March 2023	2 877	729	—	3 606

There were no transfers into and out of level 3 in the current year.

The Group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods change. Transfers are deemed to occur at the end of each semi-annual reporting period.

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

For the year to 31 March 2023			
R'million	Total	Realised	Unrealised
Total losses included in the income statement for the year			
Investment (loss)/income	(123)	12	(135)
	(123)	12	(135)

ADDITIONAL IAS 34 DISCLOSURES

CONTINUED

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

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2023	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement	
					Favourable changes R'million	Unfavourable changes R'million
Assets						
Investment portfolio	2 877				374	(371)
		Price earnings	EBITDA	*	185	(161)
		Discounted cash flow	Cash flows	*	23	(23)
		Net asset value	Underlying asset value	^	32	(68)
		Discounted cash flow	Precious and industrial metal prices	(5%)-5%	27	(27)
		Other	Various	**	107	(92)
Loans and advances to customers	729				330	(214)
		Underlying asset value	Property values	*	328	(212)
		Net asset value	Underlying asset value	^	2	(2)
Total	3 606				704	(585)

* 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 being valued 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.

Property values and price of precious and industrial metals

The price property 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
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
Loans from Group companies	Discounted cash flow model	Yield curve

ADDITIONAL IAS 34 DISCLOSURES

CONTINUED

Fair value of financial assets and liabilities at amortised cost

At 31 March 2023 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	22 761	22 761	—	—
Loans and advances to banks	10 502	10 502	—	—
Non-sovereign and non-bank cash placements	14 003	14 003	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	36 480	9 770	26 710	26 713
Sovereign debt securities	25 640	—	25 640	26 093
Bank debt securities	6 952	—	6 952	7 000
Other debt securities	4 750	2 081	2 669	2 666
Loans and advances to customers	296 833	276 954	19 879	19 866
Own originated loans and advances to customers securitised	5 988	5 988	—	—
Other loans and advances	1	1	—	—
Other securitised assets	547	547	—	—
Other assets	1 717	1 717	—	—
Loans to Group companies	37 760	37 760	—	—
	463 934	382 084	81 850	82 338
Liabilities				
Deposits by banks	26 420	5 657	20 763	21 098
Repurchase agreements and cash collateral on securities lent	14 223	2 151	12 072	12 694
Customer accounts (deposits)	378 746	216 817	161 929	161 014
Debt securities in issue	2 585	1 341	1 244	1 245
Liabilities arising on securitisation of own originated loans and advances	3 594	3 594	—	—
Other liabilities	1 932	1 932	—	—
Loans from Group companies and subsidiaries	665	665	—	—
Subordinated liabilities	7 748	—	7 748	8 391
	435 913	232 157	203 756	204 442

RESTATEMENTS

Balance sheet restatements

Derivative financial instruments and other assets

As at 31 March 2022, R1.4 billion and 31 March 2021, R1.5 billion, initial margin on collateral, which is not available as an offset to individual exposures, was recorded in derivative financial instruments liabilities instead of other assets.

In addition, certain derivative financial assets and liabilities that are managed by the Group's trading desks were previously presented on a gross basis, while the IAS 32 on-balance sheet netting requirements were met. Due to an upgrade of the internal reporting processes, the intent to net settle was evidenced. The derivative transactions, totalling R310 million at 31 March 2023 (31 March 2022: R514 million, 31 March 2021: R642 million) satisfied the legally enforceable right of set off in terms of IAS 32. These positions are also operationally net settled through the use of the Continuous Linked Settlement (CLS) system.

The comparative balance sheets have been restated for the reclassifications above. This change has no impact on the comparative income statements. The impact of these changes on the 31 March 2022 and 31 March 2021 balance sheets and 31 March 2022 cash flows are:

R'million	At 31 March 2022 as previously reported	Restatement	At 31 March 2022 restated
Assets			
Derivative financial instruments	17 658	(514)	17 144
Other assets	5 746	1 361	7 107
Total assets	553 876	847	554 723
Liabilities			
Derivative financial instruments	27 551	847	28 398
Total liabilities	507 036	847	507 883

R'million	At 31 March 2021 as previously reported	Restatement	At 31 March 2021 restated
Assets			
Derivative financial instruments	19 173	(642)	18 531
Other assets	7 382	1 468	8 850
Total assets	509 492	826	510 318
Liabilities			
Derivative financial instruments	23 011	826	23 837
Total liabilities	462 947	826	463 773

R'million	At 31 March 2022 as previously reported	Restatement	At 31 March 2022 restated
Operating profit adjusted for non-cash and non-operating items	7 629	—	7 629
Taxation paid	(1 846)	—	(1 846)
Increase in operating assets	(46 753)	(21)	(46 774)
Increase in operating liabilities	48 174	21	48 195
Net cash inflow from operating activities	7 204	—	7 204

ASSET QUALITY



An analysis of gross core loans, asset quality and ECL

R'million	31 March 2023	31 March 2022
Gross core loans	321 394	297 451
of which subject to ECL*	320 098	296 094
of which FVPL (excluding fixed rate loans above)	1 296	1 357
Gross core loans subject to ECL	320 098	296 094
Stage 1	295 546	273 138
Stage 2	15 953	17 589
of which past due greater than 30 days	747	328
Stage 3	8 599	5 367
ECL	(3 242)	(2 694)
Stage 1	(741)	(868)
Stage 2	(618)	(620)
Stage 3	(1 883)	(1 206)
Coverage ratio		
Stage 1	0.25%	0.32%
Stage 2	3.9%	3.5%
Stage 3	21.9%	22.5%
Credit loss ratio[^]	0.08%	0.00%
ECL impairment charges on core loans	(259)	(7)
Average gross core loans subject to ECL	308 096	290 320
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	6 716	4 161
Aggregate collateral and other credit enhancements on Stage 3	8 340	5 734
Stage 3 as a % of gross core loans subject to ECL	2.7%	1.8%
Total ECL as a % of Stage 3 exposure	37.7%	50.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.1%	1.4%

* Includes portfolios for which ECL is not required for IFRS purposes, but which management evaluates on this basis. These are fixed rate loans which have passed the Solely Payments of Principal and Interest (SPPI) test 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. R13.3 billion of the drawn exposure falls into Stage 1 (31 March 2022: R17.0 billion), R27.5 million falls in Stage 2 (31 March 2022: R1.4 billion) and the remaining R1.0 billion falls into Stage 3 (31 March 2022: R907 million). The ECL on the Stage 1 portfolio is R37.4 million (31 March 2022: R57.8 million), ECL on Stage 2 is R0.1 million (31 March 2022: R17.9 million) and the ECL on the Stage 3 portfolio is R248.6 million (31 March 2022: R196.0 million).

[^] Excluding reversals of prior year specific provisions, post write-off recoveries and the release in management ECL overlay, the reported credit loss ratio would be 0.26% (31 March 2022: 0.12%).

ASSET QUALITY

CONTINUED

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

R'million	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2023										
Commercial real estate	44 020	(140)	6 265	(136)	3 142	(524)	53 427	(800)	—	53 427
Commercial real estate – investment	41 890	(134)	5 661	(135)	3 111	(521)	50 662	(790)	—	50 662
Commercial real estate – development	1 534	(4)	598	(1)	—	—	2 132	(5)	—	2 132
Commercial vacant land and planning	596	(2)	6	—	31	(3)	633	(5)	—	633
Residential real estate	4 743	(17)	265	(4)	215	(5)	5 223	(26)	—	5 223
Residential real estate – investment	2 098	(5)	140	(3)	36	—	2 274	(8)	—	2 274
Residential real estate – development	1 869	(8)	110	(1)	—	—	1 979	(9)	—	1 979
Residential vacant land and planning	776	(4)	15	—	179	(5)	970	(9)	—	970
Total lending collateralised by property*	48 763	(157)	6 530	(140)	3 357	(529)	58 650	(826)	—	58 650
Coverage ratio	0.32%		2.1%		15.8%		1.4%			
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%			

* In addition, 58% of other net worth lending (31 March 2022: 60%) shown on the next page relates to lending collateralised by property which is supported by high net worth clients.

ASSET QUALITY

CONTINUED

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

R'million	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 31 March 2023										
Mortgages	84 511	(99)	4 744	(256)	1 469	(244)	90 724	(599)	—	90 724
Other high net worth lending*	71 148	(197)	589	(32)	1 219	(287)	72 956	(516)	—	72 956
Total high net worth and other private client lending	155 659	(296)	5 333	(288)	2 688	(531)	163 680	(1 115)	—	163 680
Coverage ratio	0.19%		5.4%		19.8%		0.7%			
At 31 March 2022										
Mortgages	80 276	(64)	4 337	(172)	1 169	(204)	85 782	(440)	—	85 782
Other high net worth 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%			

* 58% of other high net worth lending (31 March 2022: 60%) 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 2023										
Corporate and acquisition finance	64 653	(211)	2 779	(184)	2 090	(710)	69 522	(1 105)	1 296	70 818
Fund finance	13 097	(24)	—	—	—	—	13 097	(24)	—	13 097
Financial institutions and governments	2 892	(6)	755	(4)	—	—	3 647	(10)	—	3 647
Small ticket asset finance	2 670	(5)	87	—	109	(58)	2 866	(63)	—	2 866
Aviation finance*	2 544	(16)	154	—	—	—	2 698	(16)	—	2 698
Power and infrastructure finance	5 268	(26)	315	(2)	355	(55)	5 938	(83)	—	5 938
Total corporate and other lending	91 124	(288)	4 090	(190)	2 554	(823)	97 768	(1 301)	1 296	99 064
Coverage ratio	0.32%		4.6%		32.2%		1.3%			
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%			

* There are additional aviation exposures of R1.4 billion (31 March 2022: R640 million) in Corporate and acquisition finance and nil (31 March 2022: R213 million) in Financial institutions and governments.

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	IRB Scope*	
	31 March 2023 [^]	31 March 2022 [^]
Common Equity Tier 1	17.1%	15.8%
Tier 1 ratio	18.2%	16.6%
Total capital ratio	21.2%	20.0%
Risk-weighted assets (R'million)	261 263	286 903
Leverage exposure measure (R'million)	662 702	608 062
Leverage ratio**	7.2%	7.9%

Capital structure and capital adequacy

R'million	IRB Scope*	
	31 March 2023 [^]	31 March 2022 [^]
Shareholders' equity	44 016	44 280
Shareholders' equity per balance sheet	44 016	44 280
Perpetual preference share capital and share premium	—	—
Regulatory adjustments to the accounting basis	1 111	1 378
Prudent valuation adjustment	(223)	(231)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(15)	(12)
Cash flow hedging reserve	1 349	1 621
Deductions	(329)	(452)
Goodwill and intangible assets net of deferred tax	(311)	(282)
Investment in financial entity	—	—
Shortfall of eligible provisions compared to expected loss	(18)	(170)
Common Equity Tier 1 capital	44 798	45 206
Additional Tier 1 capital	2 710	2 560
Additional Tier 1 instruments	2 710	2 560
Phase out of non-qualifying Additional Tier 1 instruments	—	—
Tier 1 capital	47 508	47 766
Tier 2 capital	7 928	9 557
Collective impairment allowances	365	424
Tier 2 instruments	7 563	9 133
Total regulatory capital	55 436	57 323
Risk-weighted assets	261 263	286 903

* Investec Bank Limited uses the Internal Ratings Based (IRB) Approach to quantify credit RWA. As at 31 March 2023, 55% (31 March 2022: 39%) of the portfolio applies the AIRB approach, 28% (31 March 2022: 44%) applies the FIRB approach, with the remaining balance of 17% (31 March 2022: 17%) remaining on the standardised approach.

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

[^] Investec Bank Limited's capital information included unappropriated profits at 31 March 2023. If unappropriated profits had been excluded from capital information, Investec Bank Limited's CET 1 ratio would have been 164bps lower (March 2022: 69bps lower).

CAPITAL ADEQUACY

CONTINUED

Capital requirements

R'million	IRB Scope*	
	31 March 2023^	31 March 2022^
Capital requirements	31 384	34 428
Credit risk	24 828	27 904
Equity risk	1 254	1 470
Counterparty credit risk	953	1 057
Credit valuation adjustment risk	418	655
Market risk	695	481
Operational risk	3 236	2 861
Risk-weighted assets	261 263	286 903
Credit risk	206 693	232 521
Equity risk	10 437	12 253
Counterparty credit risk	7 930	8 812
Credit valuation adjustment risk	3 477	5 462
Market risk	5 784	4 010
Operational risk	26 942	23 845

Leverage

R'million	31 March 2023^	31 March 2022^
Total exposure measure	662 702	608 062
Tier 1 capital	47 508	47 766
Leverage ratio**	7.2%	7.9%

* Investec Bank Limited uses the Internal Ratings Based (IRB) Approach to quantify credit RWA. As at 31 March 2023, 55% (31 March 2022: 39%) of the portfolio applies the AIRB approach, 28% (31 March 2022: 44%) applies the FIRB approach, with the remaining balance of 17% (31 March 2022: 17%) remaining on the standardised approach.

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

^ Investec Bank Limited's capital information included unappropriated profits at 31 March 2023. If unappropriated profits had been excluded from capital information, Investec Bank Limited's CET 1 ratio would have been 164bps lower (March 2022: 69bps lower).

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.

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	
R'million	31 March 2023	31 March 2022
Loans and advances to customers per the balance sheet	312 164	287 529
Add: Own originated loans and advances to customers per the balance sheet	5 988	7 228
Net core loans	318 152	294 757
of which subject to ECL *	316 856	293 400
Net core loans at amortised cost	302 820	274 156
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	14 035	19 244
of which FVPL (excluding fixed rate loans above)	1 296	1 357
Add: ECL	3 242	2 694
Gross core loans ^	321 394	297 451
of which subject to ECL *	320 098	296 094
of which FVPL (excluding fixed rate loans above)	1 296	1 357

* These are fixed rate loans which have passed the Solely Payments of Principal and Interest (SPPI) test 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. R13.3 billion of the drawn exposure falls into Stage 1 (31 March 2022: R17.0 billion), R27.5 million falls in Stage 2 (31 March 2022: R1.4 billion) and the remaining R1.0 billion falls into Stage 3 (31 March 2022: R907 million). The ECL on the Stage 1 portfolio is R37.4 million (31 March 2022: R57.8 million), ECL on Stage 2 is R0.1 million (31 March 2022: R17.9 million) and the ECL on the Stage 3 portfolio is R248.6 million (31 March 2022: R196.0 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 2023	31 March 2022
Operating costs (A)	8 126	7 048
Total operating income before expected credit loss impairment charges (B)	17 054	14 304
Cost to income ratio (A/B)	47.6%	49.3%
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 9	

DEFINITIONS

Cash and near cash

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

EBITDA

The Company being valued earnings before interest, taxes, depreciation and amortisation.

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 [9](#) 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 [9](#) 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.

WACC

Weighted average cost of capital

