DISCLOSURE REPORT | 2020

Investec Bank Limited group Basel Pillar III annual disclosure report

Investec

The 2020 Investec Bank Limited group Pillar III report covers the period 1 April 2019 to 31 March 2020. The Pillar III report has been prepared without the impact of the relief measures announced by the PA on 6 April 2020.

The impact of the coronavirus disease 2019 (COVID-19) is likely to have a lasting and detrimental effect on the global economy. The Basel framework, around which bank regulations are structured, has built-in buffers on both the capital and liquidity elements of the regulation for banks to draw on during times of financial stress. It has always been Investec's philosophy to hold capital and liquidity buffers in excess of any regulatory requirements and we believe that the group has built-up sufficient buffers over time to support our clients, the wider economy and to ensure continued compliance with the relevant internationally agreed Basel III Framework.

In addition to the actions taken by the South African Reserve Bank (SARB) in deploying monetary policy tools to mitigate the impact of COVID-19, the Prudential Authority (PA) has provided regulatory relief measures as well as guidance to banks in managing the crisis. The regulatory relief measures are provided for in three areas, namely:

- Loans restructured as a result of the impact of COVID-19 will not attract a higher capital charge
- For the duration of the crisis, the LCR, a ratio setting out the liquid assets a bank has to maintain in relation to its anticipated outflows, is being lowered from 100% to 80%.
- In relation to capital relief, the Pillar 2A capital buffer, which is set at 1% of risk-weighted assets, is now set at zero. The PA has also provided clear criteria that provide for banks to dip into their capital conservation buffer, which is set at 2.5% of risk-weighted assets.

Scope and framework

This document encompasses Investec Bank Limited group, including both regulated and unregulated entities, which is equivalent to the scope of the consolidated banking group as defined by the South African Reserve Bank for consolidated regulatory reporting purposes.

In terms of Regulation 43(1) of the Regulations, Investec is required to disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enable users of that information, among other things, to make an accurate assessment of the group's financial condition, including, but not limited to, its capital adequacy position, and its liquidity position, financial performance, leverage ratio, ownership, governance, business activities, risk profile and risk-management practices.

In this regard the Basel Committee on Banking Supervision (BCBS) issued a revised Pillar III framework in January 2015 and the consolidated and enhanced framework in March 2017 as well as the updated framework on Pillar III disclosure requirements in December 2018. The Prudential Authority (PA) removed all disclosure requirements from the Regulations and previous Banks Act directives related to disclosure requirements through Directive1/2019 (the Directive) in order to create a single point of reference for the disclosure requirements to ensure the internationally agreed Pillar III framework is fully implemented in South Africa. The provisions of this directive are not related to any disclosure requirements that may be specified by the Johannesburg Stock Exchange Limited (JSE) in respect of the Stock Exchange News Service (SENS) from time-to-time.

In line with the Directive, retrospective disclosures and templates that require the disclosure of data points for current and previous reporting periods, are not required when metrics for new standards are reported for the first time. The Pillar III reports are published on Investec's Investor Relations website in line with the required frequency of disclosures per the Directive and is done for both the Investec Bank and Investec Limited group.

Assurance and policy

In accordance with the Regulations, the Board of Directors and senior management are responsible for establishing and maintaining an effective internal control structure in respect of Pillar III disclosures. In this regard, the Board and senior management have ensured that appropriate review and sign-off of the relevant Pillar III disclosures have taken place, as outlined in the Pillar 3 disclosure policy, prior to its release on the Investor Relations website. A summary of the disclosure policy and the board attestation of this process is provided in Section 1. In addition, the external auditors report is provided in Section 2 that sets out the respective review conclusions and scope of their work performed.

Quantitative and qualitative disclosures

The Pillar III disclosures are published in line with disclosure dates that are commensurate with the Financial Reporting disclosure timelines and is subject to the same governance framework as tabled in the Investec Market Communication and Disclosure Policy. The following regulatory risk measurement approaches are applied by Investec for purposes of capital adequacy:

- Credit risk (including securitisation risk): Combination of the Internal ratings-based approach (IRB) and the Standardised approach (TSA)
- Market risk: A combination of the standardised (TSA) and internal model method (IMM) approaches
- Operational risk: The standardised approach (TSA)
- Equity risk in the banking book: The Market-based approach – Simple Risk Weight Method (MSRM)
- Counterparty credit risk: The Current Exposure Method (CEM)

In this regard, all tables and disclosures may not be relevant to Investec and are excluded from this Pillar III report. Annexure A in section 6 lists qualitative disclosures with references to specific pages where these disclosures have been made. The standardised quantitative tables are presented in Section 4 of this report.

Investec Bank Limited was granted approval by the PA in March 2019 to calculate its minimum capital requirements in respect credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB); and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB) effective 1 April 2019.

In this regard, we have provided pro-forma (unaudited) amounts of the impact of our IRB approvals (as at 31 March 2019) in tables KM1 (column f) and OV1 (column e). This is to ensure that the key metrics and overview of RWA tables have comparative numbers in future disclosures, as well as to show the positive impact of the new measurement approaches on our capital adequacy going forward. Certain IRB credit risk tables (CR6, CR7, CR10 and CCR4) were only disclosed for the first time in September 2019 and therefore do not have comparatives to March 2019. We have nonetheless disclosed in March 2020, IRB credit risk comparatives related to September 2019 unaudited amounts in order to show the trend of our IRB credit exposures over time.

Annual disclosures related to remuneration are reported separately from this Pillar III report and are contained on pages124 to 138 of the 2020 Investec Bank Limited group and company annual financial statements.

Cross reference tools

PAGE REFERENCES
Refers readers to information elsewhere in this report

WEBSITE
Indicates that additional information is available on our website:
www.investec.com

DOCUMENT REFERENCE
Refers readers to information elsewhere in other documents

ABBREVIATIONS

In the sections that follow, the following abbreviations are used on numerous occasions:

ABCP	Asset-backed commercial programme
ALCO	Asset and liability committee
Anet	Represent the adjusted add-on for all contracts subject to the bilateral netting contract
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BoE	Bank of England
BOM	Bank of Mauritius
BRCC	Board risk and capital committee
CCF	Credit conversion factor
CCP	Central counterparties
CCR	Counterparty credit risk
CEM	Current exposure method approach related to OTC exposures
CLF	Credit liquidity facility
CLN	Credit-linked notes
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
DSIB	Domestically significant important bank
E*	E star is the amount to which the capital requirements (RW%) are applied to. It is the net credit equivalent amount, after having applied CRM techniques and credit conversion factors (CCF%)
EAD	Exposure at default
ECAI	Eligible credit assessment institution
ECB	European Central Bank
EL	Expected loss
ERRF	Executive risk review forum
FCA	Financial Conduct Authority
GRCC	Group risk and capital committee
HQLA	High-quality liquid asset
IBM	Investec Bank Mauritius
IRB	Internal ratings-based approach
Investec/the group	Investec Limited Group (INL)
IMA	Internal model approach
ISDA	International Swaps and Derivatives Association document that outlines the terms applied to a derivatives transaction between two parties
LCR	Liquidity coverage ratio
LGD	Loss given default
OTC	Over-the-counter derivative exposures
PA	South African Prudential Authority
PD	Probability of default
PFE	Potential future exposure add-on for OTC derivative exposures
Pillar IIB	Idiosyncratic risk capital add-on
PONV	Point of non-viability
QCCP	Qualifying central counterparties
RW%	Risk weight is the factor applied to E* to determine capital requirements demand
RWA	Risk-weighted assets
SA-CCR	Standardised approach for measuring exposure at default for OTC exposures
SARB	South African Reserve Bank
SFT	Security financing transactions
SOE	State-owned enterprise
TCFD	Task Force on Climate-related Financial Disclosures
The bank	Investec Bank Limited Group (IBL)
The Banks Act	Banks Act, 1990 (Act No. 94 of 1990) (as amended)
The Regulations	Regulations relating to South African banks (12 December 2012)
TSA	The standardised approach
VaR	Value at risk

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BOARD-APPROVED DISCLOSURE POLICY

BOARD-APPROVED DISCLOSURE POLICY

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The board of directors (the board) of Investec Bank Limited recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about Investec Bank Limited and its subsidiaries.

Investec endeavours to:

- present a balanced and understandable assessment of its position by addressing material matters of significant interest and concern;
- highlight the key risks to which it considers itself exposed and its responses to minimise the impact of the risks; and
- show a balance between the positive and negative aspects of the group's activities, in order to achieve a comprehensive and fair account of its performance.

The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the group's stakeholders and building lasting relationships with them. Investec has developed a framework to ensure that it complies with all relevant public disclosure obligations and to uphold the board's communication and disclosure philosophy.

The Investor Relations division (IR) is responsible for working with the other divisions in the group to ensure that the group meets its various annual, interim and quarterly public reporting/disclosure requirements. IR has a detailed log of all these various disclosure requirements in terms of the Banks Act or other public reporting requirements and due dates for when such disclosures are required to be made public. This log is reviewed on an annual basis.

All public announcements and releases, annual, interim and quarterly disclosures are reviewed and approved by the board and/or appropriate senior management prior to their release. The reports go through a rigorous review and sign-off process by the board, executives, management, internal and external audit.

On an annual basis, members of IR, company secretarial, finance, the executive, board and board sub-committees (where applicable) will assess the appropriateness of all information that is publicly disclosed.

The Pillar III disclosures provided are in line with the requirements of the Basel Committee on Banking Supervision's standards on revised Pillar III disclosure requirements. These disclosures comprise certain Pillar III disclosures of Investec Bank Limited and its banking subsidiaries on a consolidated basis as required in terms of regulation 43 of the Regulations and/or issued Banks Act directives. The disclosures contained in this report have been reviewed by the external auditors, EY and KPMG. The external auditors have issued an unmodified review conclusion on this report.

The board is satisfied that:

- the information provided in this report was subject to the same level of internal review and internal control processes as the information provided for financial reporting purposes; and
- disclosures in this report have been prepared in accordance with the board-agreed internal control processes related to public disclosures.

David Friedland
Chairman of the board risk and capital committee

29 June 2020

INDEPENDENT AUDITORS' REVIEW REPORT

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To the Directors of Investec Bank Limited

We have reviewed the Basel Pillar III disclosure report of Investec Bank Limited at and for the year ended 31 March 2020, and the related narrative commentary that supplements the quantitative information provided in the report, as set out in pages 11 to 179 of the Investec Bank Limited Basel Pillar III disclosure report.

Directors' Responsibility for the Basel Pillar III disclosure

The directors are responsible for the preparation of the Basel Pillar III disclosure report in accordance with Directive 01/2019 issued in terms of section 6(6) of the Banks Act 94 which makes reference to the Revised Pillar III Disclosure Requirements issued by the Basel Committee of Banking Supervision, and for such internal control as the directors determine is necessary to enable the preparation of the Basel Pillar III disclosure report that is free from material misstatement, whether due to fraud or error. The directors are also responsible for disclosing all interpretations made and judgements applied in preparation of the Basel Pillar III disclosure report.

Auditors' Responsibility

Auditors' Responsibility

Our responsibility is to report on the Basel Pillar III disclosure report and to express a conclusion on the disclosure report based on our review. We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2410, which applies to a review of historical financial information performed by the independent auditors of the entity.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Basel Pillar III disclosure report is not prepared, in all material respects, in accordance with the Revised Pillar III Disclosure Requirements issued by the Basel Committee on Banking Supervision. This Standard also requires us to comply with relevant ethical requirements.

A review of the Basel Pillar III disclosure report in accordance with ISRE 2410 is a limited assurance engagement. A review includes performing procedures, primarily consisting of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review engagement are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Basel Pillar III disclosure report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Basel Pillar III disclosure report of Investec Bank Limited at and for the year ended 31 March 2020 is not prepared, in all material respects, in accordance with the Directive 01/2019 issued in terms of section 6(6) of the Banks Act 94 which makes reference to the Revised Pillar III Disclosure Requirements issued by the Basel Committee on Banking Supervision.

Ernst & Young Inc.
Registered Auditor

Ernst & Young Inc.

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director
30 June 2020

KPMG Inc.
Registered Auditor

KPMG Inc

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
30 June 2020

3 RISK MANAGEMENT

Overview of disclosure requirements

The risk disclosures provided are in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the annual report on pages 21 to 89 with further disclosures provided in the annual financial statements section on pages 153 to 247 of the 2020 Investec Bank Limited group and company annual financial statements.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

We supplement our IFRS 9 figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers of the financial statements. Where applicable, definitions can be found in the definitions section of this report.

Information provided in this section of the annual report is prepared on an Investec Bank Limited (IBL) consolidated basis, unless otherwise stated.

www

IBL also publishes separate Pillar III disclosures contained in a separate Pillar III report which can be found on Investec group's website.

Philosophy and approach to risk management

The IBL Board Risk and Capital Committee (IBL BRCC) (comprising both executive and non-executive directors) meet at least six times per annum and recommends the overall risk appetite for the bank to the IBL board for approval. The risk appetite statement sets broad parameters relating to the IBL board's expectations around performance, business stability and risk management. The IBL board ensures that there are appropriate resources to manage the risk arising from running the bank.

The board has closely monitored developments as a result of the COVID-19 pandemic and receives regular updates. There has been enhanced governance and additional oversight on areas that have been most exposed to the pandemic to date.

Our comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of our businesses to ensure the risks remain within the stated risk appetite.

The bank has a strong and embedded risk and capital management culture. Risk awareness, control and compliance are embedded in all our day-to-day activities through a levels of defence model.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit, capital and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Risk management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the bank.

Risk management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk-parameters and objectives and we are continually seeking new ways to enhance techniques.

We believe that the risk management systems and processes we have in place are adequate to support our strategy and allow the bank to operate within its risk appetite tolerance.

This section of our annual report explains in detail our approach to managing our business within our risk appetite tolerance, across all principal aspects of risk.

Overall summary of the year in review from a risk perspective

The executive management are integrally involved in ensuring stringent management of risk, liquidity, capital and conduct. The primary aim is to achieve a suitable balance between risk and reward in our business, particularly in the context of prevailing market conditions and overall Investec group strategy.

The financial year was characterised by persistent weak economic fundamentals. Against this backdrop, in the first quarter of 2020, the COVID-19 pandemic combined with an oil price shock stunned global markets resulting in unprecedented market dislocations. The sudden imposition of social containment measures in South Africa, as well as many countries across the world led to a synchronised slowdown of economic activity, mounting financial pressure on our clients. We continue to evaluate any changes we may need to make to adapt to the new legal and regulatory landscape that emerges.

On 27 March 2020, Moody's downgraded South Africa's sovereign credit rating by one notch from Baa3 (investment grade) to Ba1, maintaining the negative outlook. Fitch downgraded South Africa's rating further on 3 April 2020, to BB from BB+ with a negative outlook. On 29 April 2020, Standard & Poor's (S&P) also downgraded South Africa's sovereign credit outlook by one notch, to BB- with a stable outlook.

The bank's ratings continued to track rating adjustments to the South African sovereign rating during the course of the year. The bank's national long-term ratings remain sound at Aa1.za from Moody's, AA(zaf) from Fitch and za.AA from S&P.

Although the macro-environment continues to present challenges, the bank was able to maintain sound asset performance and risk metrics throughout the year in review. We remained within our risk appetite limits/targets across various risk disciplines, with only a few exceptions that were approved by IBL BRCC and noted by the IBL board.

Our risk appetite framework as set out on page 15 continues to be assessed in light of prevailing market conditions and group strategy.

Credit risk

Growth in the core loans have been driven by growth in the high net worth and specialised lending portfolio, partially offset by subdued corporate client activity. Net core loan book growth since 31 March 2019 was 5.4% to R283.9 billion at 31 March 2020. The bank's net core loan exposures remain well diversified with commercial investment property loans comprising approximately 14.0% of net core loans, other lending collateralised by property 3.2%, high net worth and private client lending 51.3% and corporate and other lending 31.5% (with most industry concentrations well below 5%).

Our exposure to sectors considered vulnerable to COVID-19 excluding property totalled R19.7 billion at 31 March 2020 or 6.6% of gross core loans and advances and includes our aviation and trade finance businesses. We, however, remain confident that we have a well-diversified portfolio across sectors. Government stimulus and support measures are expected to mitigate the impact on vulnerable sectors, but it remains too early to assess the full impact of this.

Assessing the expected impact from COVID-19 as well as the offsetting effect of government relief measures, required significant judgement. Regulatory bodies provided guidance on expectations around provisioning and staging treatment of exposures.

The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impact of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the probability of default (PD) and loss given default (LGD) for the commercial real estate portfolio. In line with our previous approach, Stage 3 ECLs continue to be assessed using expert credit judgement.

Asset quality metrics before the COVID-19 pandemic reflected solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.21% for 31 March 2020 (31 March 2019: 0.27%) however, taking into account the impact of COVID-19 and the South African sovereign downgrades the credit loss ratio was 0.37%, largely reflecting a deterioration in macro-economic scenario forecasts.

Stage 2 exposures totalled R15.1 billion and have increased as a proportion of gross core loans subject to ECL to 5.3% at 31 March 2020 (31 March 2019: 4.0%). Stage 3 exposures totalled R4.4 billion at 31 March 2020 or 1.5% of gross core loans subject to ECL (31 March 2019: 1.3%). Stage 3 exposures have an ECL coverage ratio of 43.2%.

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under the implementation of IFRS 9 are highlighted in this document and are subject to robust governance processes. This applies the IFRS 9 transitional arrangements to regulatory capital calculations to absorb the full impact permissible of IFRS 9.

Investec Bank Limited absorbed the full impact of IFRS 9 on 1 April 2019, on adoption of the Foundation Internal Rating-Based Approach (FIRB) for credit risk.

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. At 31 March 2020, R1.0 billion of relief measures comprising 0.35% of gross core loans and advances had been granted, of which R885 million are assets reported in Stage 1. The remaining R115 million are assets reported in Stage 2.

Investment risk

Overall, we remain comfortable with the performance of the majority of our equity investment portfolios, which comprise 2.1% of total assets.

Traded market risk

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses and adversely affected trading revenue. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity.

Trading conditions remained challenging throughout the 2019-2020 financial year, dominated by local and global policy uncertainty. The JSE was down 21% year-on-year, while the Rand depreciated by 23% year-on-year against the US dollar. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year.

Balance sheet and liquidity risk

Holding a high level of readily available, high quality liquid assets remains paramount in the management of our balance sheet. We continued to maintain a low reliance on interbank wholesale funding to fund core lending asset growth.

A strong liquidity position continued to be maintained throughout the year primarily supported by growth in fixed term and notice retail customer deposits. Cash and near cash balances amounted to R147.2 billion at 31 March 2020 (31 March 2019: R118.4 billion). The bank has raised a substantial amount of deposits over the year, customer accounts (deposits) totalled R375.9 billion at 31 March 2020. Loans and advances to customers as a percentage of customer deposits ratio remained conservative at 73.6%. The 90-day simple average LCR ended the financial year at 133.2% (31 March 2019: 135.6%). The structural funding ratio represented by the NSFR ended the year at 116.2% as at 31 March 2020 (31 March 2019: 115.6%).

The pursuit of our long-term strategic objective to improve the resilience of our balance sheet by targeting the structural shape of our funding profile remains front and centre. We maintain $1.9 billion of strategic long-term non-ZAR funding from diversified sources across the globe at favourable funding spreads.

Looking forward, the focus remains on maintaining a strong liquidity position in light of the impact of the COVID-19 pandemic. Funding continues to be actively raised, particularly in the retail market, in line with the bank's strategic objectives and to insulate the bank from further ongoing market uncertainty. Globally, central banks adopted a coordinated approach in reacting to the COVID-19 pandemic. They began cutting interest rates and putting various mechanisms in place to ensure markets remained liquid. The South African PA cut rates by 250bps to the lowest levels in recent history. In addition to this, they employed further mechanisms to inject liquidity in the system; notably, introducing additional term repo facilities for the banks to access and the reduction in the LCR regulatory minimum from 100% to 80% until such time as the South African PA is of the view that financial markets have normalised.

Capital management

Conversion to the Foundation Internal Ratings Based (FIRB) measurement of credit capital resulted in a 1.3% uplift to Investec Bank Limited's common equity tier 1 (CET1) ratio, effective 1 April 2019. The bank's application for conversion to the Advanced Internal Ratings Based (AIRB) approach is under review by the South African PA and if successful is expected to result in a c. 2.0% uplift to the CET1 ratio. Investec Bank Limited's CET1 ratio includes a reduction of 51bps in the current year associated with our High Quality Liquid Assets and credit investment portfolios held at fair value through equity. This was a consequence of the sudden movement in credit spreads in March 2020, impacting valuations at 31 March 2020. More than half of this impact reversed post year end. On 6 April 2020, the South African Prudential Authority (South African PA) reduced the Pillar 2A capital requirement by 1.0% (0.5% in CET1), thereby increasing our surplus to regulatory requirements.

The bank continued to maintain a sound balance sheet with a low gearing ratio of 12.4 times and a core loans to equity ratio of 6.8 times. The bank's current leverage ratio of 6.9% is above the minimum 6% target level. The bank has always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy.

We maintain an Investec group target common equity tier 1 ratio in excess of 10% which is currently considered appropriate for our businesses given our sound leverage ratios and significant capital light revenues. The CET1 ratio is at 12.1% at 31 March 2020, in excess of regulatory minimums and ahead of our Investec group target.

The South African PA has provided for regulatory relief measures as well as guidance to banks in managing the COVID-19 crisis. These include the temporary relaxation of the Pillar 2A buffer to 0% (from 1%) and permission to utilise the capital conservation buffer (CCB) and the Domestically-Systemic Important Bank (D-SIB) buffer, subject to prior approval from the South African PA. The South African PA has stated that it intends to phase-in or reinstate the Pillar 2A buffer post the COVID-19 stress period.

Conduct, operational and reputational risk

We remain highly focused on managing conduct, reputational, operational, recovery and resolution risks. Financial and cyber crime are high priorities, and the bank continually aims to strengthen systems and controls in order to manage cyber risk as well as meet regulatory obligations to combat money laundering, fraud and corruption.

The operational response of our business to the disruptions caused by COVID-19 has been a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. Through lockdown, approximately 95% of our employees have been working from home.

During the year, a number of stress scenarios were considered and incorporated into our processes including COVID-19 factors. We continue to assess the potential impact from the current stressed environment and its potential impact on the bank.

The IBL board, through the bank's risk and capital committee, continued to assess the impact of its principal risks and a number of stress scenarios on the business. The IBL board has concluded that the bank has sound systems and processes in place to manage these risks, and that while under a severe stress scenario business activity would be subdued, the bank would continue to maintain adequate liquidity and capital balances to support the continued operation of the bank.

In light of significant dislocation in the external market due to the COVID-19 pandemic it is unclear how the economy and our clients will adjust over the coming months and years. We entered this crisis with experience from the global financial crisis on how to navigate through challenging circumstances, as well as with considerable strength with regards to our high levels of liquidity, strong capital and low leverage. We have responded quickly to the operational and client impacts resulting from COVID-19 and we are comfortable that we have well established risk management processes and systems in place.

Salient Features

A summary of the key risk indicators is provided in the table below.

	31 March 2020 R	31 March 2019 R
Net core loans and advances (million)	283 946	269 404
Total assets (million)	535 970	475 603
Total risk-weighted assets (million)^	319 090	297 506
Total equity (million)	41 748	41 760
Cash and near cash (million)	147 169	118 365
Customer accounts (deposits) (million)	375 948	341 710
Loans and advances to customers to customer deposits	73.6%	76.6%
Structured credit investments as a % of total assets	0.6%	0.3%
Banking book investment and equity risk exposures as a % of total assets	2.1%	3.0%
Traded Market risk: one-day value at risk (million)	6.5	3.8
Core loans to equity ratio	6.8 x	6.4 x
Total gearing ratio*	12.4 x	11.0 x
Return on average assets#	0.80%	1.09%
Return on average risk weighted assets#	1.26%	1.46%
Gross defaults as a % of gross core loans and advances	1.5%	1.3%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	0.9%	0.7%
Credit loss ratio**	0.37%	0.27%
Level 3 (fair value assets) as a % of total assets*	0.7%	0.9%
Total capital ratio^	16.4%	17.7%
Tier 1 ratio^	12.3%	12.8%
Common equity tier 1^	12.1%	12.5%
Leverage ratio - current^	6.9%	7.6%
Leverage ratio - 'Fully loaded'^	6.8%	7.5%

* *Total assets excluding intergroup loans to equity.*

** *ECL impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL.*

\# *Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.*

^ *We have adopted the Foundation Internal Rating Based (FIRB) approach effective 1 April 2019. The numbers presented are on a pro-forma basis for 31 March 2019.*

Overall group risk appetite

The bank has board-approved risk appetite statements and policy documents covering our risk tolerance and approach to our principal aspects of risk. The risk appetite framework acts as a guide to determine the acceptable risk profile of the bank and ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The bank ensures that limits/targets are applied and monitored across all key operating jurisdictions and legal entities whilst keeping in line with the group's risk appetite parameters. The risk appetite statement is a high-level, strategic framework that supplements the detailed risk policy documents at each entity and geographic level. The risk appetite framework is a function of business strategy, budget and capital processes, our stress testing reviews, the regulatory and economic environment in which the bank is operating. The bank risk appetite framework is reviewed (in light of the above aspects) and approved at least annually or as business needs dictate. A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the IBL BRCC and IBL board as well as DLC BRCC and DLC board.

The table below provides a high-level summary of the bank's overall risk tolerance framework.

Risk appetite and tolerance metrics	*Positioning at 31 March 2020*
We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%	Annuity income amounted to 84.4% of total operating income. Refer to page 7 of the 2020 Investec Bank Limited group and company annual financial statements for further information
We seek to maintain strict control over fixed costs and target a cost to income ratio between 49% to 52%	The cost to income ratio amounted to 52.6%. Refer to page 7 of the 2020 Investec Bank Limited group and company annual financial statements for further information
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	The current leverage ratio amounted to 6.9%. Refer to page 73 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a total capital adequacy ratio range of between 14% and 17% and we target a minimum tier 1 ratio of 11% and a CET1 ratio above 10%	We met these targets; Our total capital adequacy ratio amounted to 16.4% and our CET1 ratio amounted to 12.1%. Refer to page 74 for further information
We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 7.5% of tier 1 capital. We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
We have preference for primary exposure in the bank's main operating geography (i.e. South Africa). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client	Refer to page 18 for further information
Financial risk from climate change is a highly important topic which helps to inform credit decisions. We take a cautious approach with respect to industries that are known to damage the environment. We acknowledge that our approach is still work in progress and we will continue to develop this over time.	Refer to pages 66 to 67 for further information
We target a credit loss ratio of less than 0.5% and Stage 3 net of ECL as a % of net core loans and advances to be less than 1.5%	We currently remain within all tolerance levels. The credit loss ratio amounted to 0.37%. Stage 3 net of ECL as a % of net core loans and advances amounted to 0.9%. Refer to pages 36 to 37 for further information
We carry a high level of liquidity in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to R147.2 billion at year end representing 39.1% of customer deposits. Refer to page 53 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million	We met these internal limits; one-day VaR was R6.5 million at 31 March 2020. Refer to page 48 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 12.5% of tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is R2 297 million, representing 5.9% of total tier 1 capital. Refer to page 53 for further information
We maintain sound operational risk practices to identify and manage operational risk. The bank has no appetite for failures in meeting our legal and ethical obligations to combat financial crime and for failures to meet regulatory rules or guidance	Refer to pages 61 to 65 for further information
We have a number of policies and practices in place to mitigate reputational, legal, tax and conduct risks	Refer to pages 65 to 66 for further information

Risk management objectives are to:

- Ensure adherence to our risk management culture
- Ensure the business operates within the board-approved risk appetite
- Support the long-term sustainability of the bank by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to risk parameters and limits across the bank and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the IBL board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably and with appropriate expertise and facilitate operating independence
- Run appropriate risk committees, as mandated by the board
- Maintain compliance in relation to regulatory requirements.

An overview of our principal risks

In our daily business activities, the bank takes on a number of risks that have the potential to affect our business operations or financial performance and prospects.

These principal risks have been highlighted on page 14 of the 2020 Investec Bank Limited group and company annual financial statements.

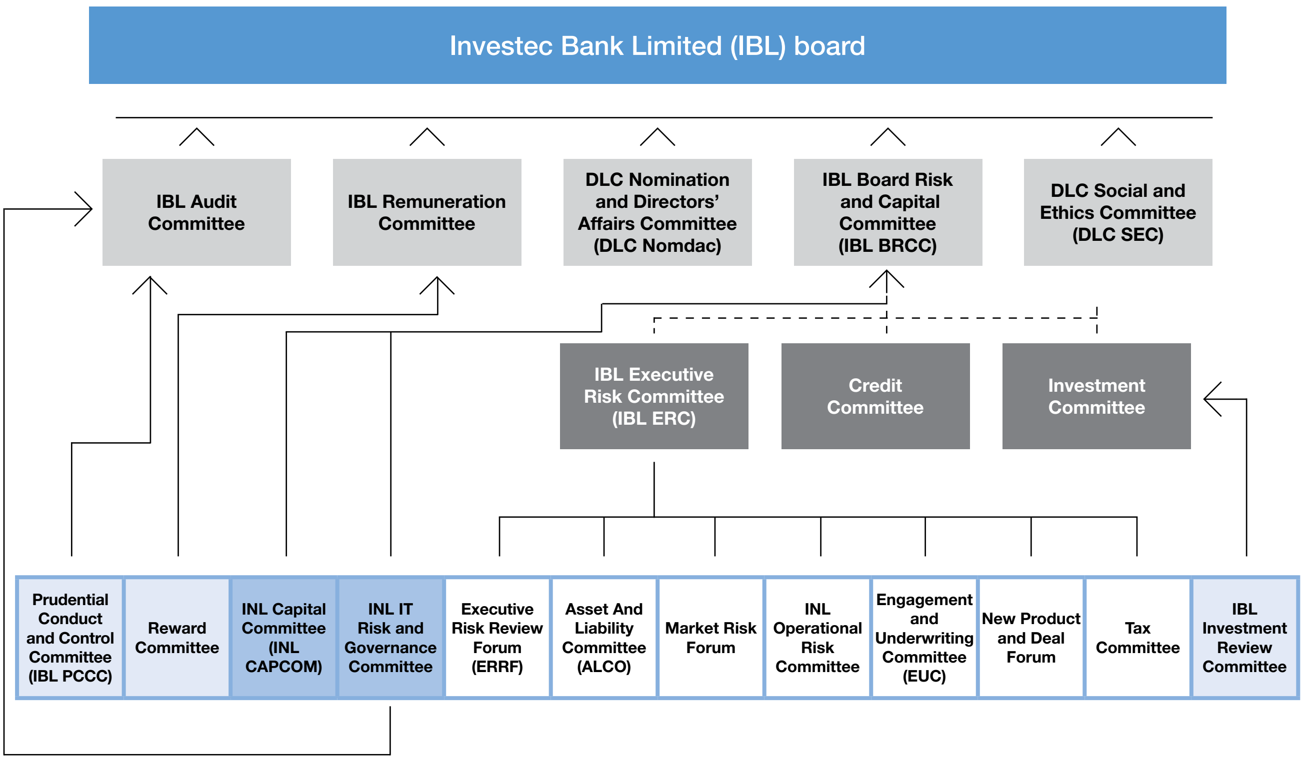
The sections that follow provide information on a number of these risk areas and how the bank manages these risks.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at bank level. These committees and forums operate together with risk management and are mandated by the board. Our governance framework is highlighted below.

Investec Bank Limited board and committee structure for the year ended 31 March 2020



Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to clients and counterparties creating the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Financial instrument transactions, producing issuer risk where payments due from the issuer of a financial instrument may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party making required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the risk management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a level of executive involvement and oversight in the credit decision-making forums depending on the size and complexity of the deal. It is our policy that all centralised credit committees comprises of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist Forums review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision. These committees review ECL impairments and staging at an asset level as well as potential fair value adjustments to loans and advances to customers and provide recommendations for the appropriate staging and level of ECL impairment where appropriate
- Credit Watchlist Forums review and manage exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements or idiosyncratic financial distress
- Arrears, Default and Recovery Forums specifically review and manage distressed loans and potentially distressed loans for private clients and corporates. These forums also review and monitor counterparties who have been granted forbearance measures
- Impairment Decision Committee (IDC) reviews recommendations from underlying watchlist forums and consider and approve the appropriate level of ECL impairments, ECL and staging
- Model Review Forum provides an internal screening and validation process for credit models. We have an established independent model validation team who review the models and provide feedback on the accuracy and operation of the models and note items for further development through this forum.

Credit committees and the processes above have incorporated considerations and decisions with respect to the COVID-19 pandemic and resulting relief measures, staging and ECL in line with the bank's existing governance.

Credit and counterparty risk appetite

The IBL board has set a risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is approved at least annually and monitored on an ongoing basis by IBL BRCC, DLC BRCC and the IBL board on a regular basis. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, and any remedial actions agreed.

Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

Target clients include high net worth and/or high-income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow. Direct exposures to cyclical industries and start-up ventures are generally avoided.

We are client-centric in our approach and originate loans mainly with the intent of holding these assets to maturity, thereby developing a 'hands-on' and longstanding relationship.

Interbank lending is largely reserved for those banks and institutions in the bank's core geographies of activity, which are systemic and highly rated.

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk. In order to manage concentration, we will consider a sell down of exposures to market participants.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level.

Country risk

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the bank's main operating geographies. The bank will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

Investec's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is little specific appetite for exposures outside of the group's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with Organisation for Economic Co-operation Development (OECD) standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees and IBL BRCC will consider, analyse and assess the appropriate foreign jurisdiction limits to be recorded when required.

Sustainability considerations

The bank has a holistic approach to sustainability. Our commitment to sustainability recognises the interconnected nature of our business, the economy, the environment and society. We play an important role in funding (both lending and in investing) a sustainable economy that is cognisant of the world's limited natural resources and promotes carbon reduction. We integrate environmental, social and governance (ESG) considerations into our day-to-day operations and decision-making to support a sustainable, long-term vision. The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

We are committed to respecting human rights and support internationally recognised principles, guidelines and voluntary standards dealing with ESG aspects. The following are some that are specific to climate:

- 2030 Agenda and the UN Sustainable Development Goals
- UN Global Compact
- International Finance Corporation (IFC) to assess high and medium risk industries
- OECD Guidelines for Multinational Enterprises and export credits
- CDP (Carbon Disclosure Project)
- Task Force on Climate-related Financial Disclosures (TCFD)
- Bankers Association of South Africa (BASA) guidelines for social and environmental risk
- United for Wildlife Financial Taskforce

We fully apply the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant. We report on these in our sustainability and ESG supplementary report on our website.

We have a number of group policies that also guide decision-making from a sustainability perspective and we made our group fossil fuel policy public on 31 March 2020. A variety of ESG considerations are considered by the credit committee or investment committee when making lending or investment decisions. There is also oversight by the DLC SEC on social and environmental issues including climate related risks and opportunities.

In particular, the following factors are taken into account when assessing a transaction based on the outcome of the corporate sustainability considerations:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations (including human rights)
- Macro-economic considerations (including poverty, growth and unemployment).

www ***Refer to our corporate sustainability and ESG supplementary information on our website.***

Stress testing and portfolio management

The bank's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the bank's material business activities, incorporating views from risk, management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macro-economic and political risk backdrop. These IBL specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

The bank also performs *ad hoc* stress testing and reverse testing. *Ad hoc* stress tests are conducted in response to any type of material and/or emerging risks, with reviews undertaken of impacted portfolios to assess any migration in quality and highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures. Reverse stress tests are conducted to stress the bank's business plan to failure, and consider a broad variety of extreme and remote events.

Reviews are also undertaken of all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures. Policies for financial assets subject to ECL, as defined on page 250 of the 2020 Investec Bank Limited group and company annual financial statements, are as described below:

Stage 1

Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Under IFRS 9 these Stage 1 financial assets have loss allowances measured at an amount equal to 12-month ECL.

In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of amounts due. These exposures will remain reported in Stage 1 for the foreseeable future and will not be required to hold a lifetime ECL. At 31 March 2020, R1.0 billion of gross core loans and advances had been granted some form of relief measures, of which R885 million were assets reported in Stage 1.

Stage 2

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held.

The bank's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case by case basis to determine whether the proposed modifications will be considered as forbearance. Where the credit committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable timeframe these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred. The change in the lifetime PD from deal origination to the reporting date is monitored monthly. The absolute and relative changes in lifetime PDs are tested against predefined trigger levels. When the change in lifetime PDs exceeds the trigger levels, it is considered a significant increase in credit risk and the exposure is migrated to Stage 2. The trigger levels have been defined for each asset class and are a function of the credit rating and the remaining maturity of the exposure.

The bank assumes that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forborne exposures) are met.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. The bank assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example due to the appointment of an administrator or the client is in receivership. When a client is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3. Loans which are more than 90 days past due are considered to be in default.

Definition of default

The bank has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be forward-looking and therefore, potentially volatile.

The expected impact from COVID-19, as well as the offsetting effect of government relief measures, required significant judgement. Regulatory bodies provided guidance on expectations around provisioning and staging treatment of exposures. The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the probability of default (PD) and loss given default (LGD) for the commercial real estate portfolio. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

Write-offs

A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is considered on a case by case basis. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for appropriate differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

Further information on internal credit ratings is provided on page 38.

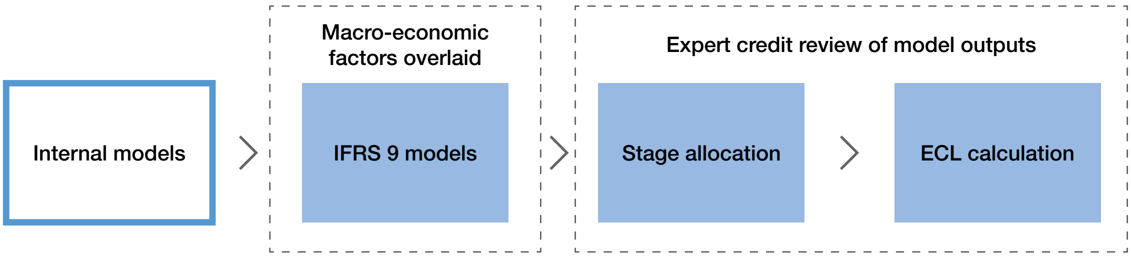
Key drivers of measurement uncertainty – subjective elements and inputs

The measurement of ECL has reliance on expert credit judgement. Key judgemental areas highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:

- The assessment of a significant increase in credit risk;
- A range of forward-looking probability weighted macro-economic scenarios; and
- Estimations of probabilities of default, loss given default and exposures at default using models.

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the bank's ECL methodology, which are not considered to have material impact. This includes the use of income recognition effective interest rates (EIRs) in accordance with accounting standards, as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition, where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

Process to determine ECL



ECLs are calculated using three main components:

- A probability of default (PD);
- A loss given default (LGD); and
- The exposure at default (EAD).

The 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and effective interest rate (EIR) for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models are also utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled output to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9, as well as the scenarios themselves, are discussed and approved at the DLC Capital Committee, which forms part of the principal governance framework for the macro-economic scenarios.

A number of scenarios are forecast for consideration in capital planning, stress testing (including Investec specific stress scenarios) and IFRS 9.

For the bank, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two upside cases and two downside cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers.

The expected impact from COVID-19 as well as the offsetting effect of government relief measures, required significant judgement. Regulatory bodies have provided guidance on expectations around provisioning and staging treatment of exposures. The forward looking macro-economic scenarios used in the measurement of ECL, as detailed below, were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced as at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model driven Stage 1 ECL for this portfolio was not considered sufficient. The management ECL overlay was estimated after stressing the PD and LGD for the commercial real estate portfolio.

The impact of the COVID-19 pandemic is still evolving. While collectively better understanding of COVID-19 has been gained over the last few months, it is not yet certain how long it will take to contain the virus, or how long the global economy will be negatively affected. Very substantial policy support measures have occurred globally, but the economic shock, both locally and internationally, will supersede the recession of 2008 – 2009 stemming from the global financial crisis at that time. In South Africa this year, a peak to trough contraction of 10.9% is expected, versus the 2.5% peak to trough contraction over the second half of 2008 and first half of 2009. Furthermore, risk is tilted to the downside.

Under the base case scenario a temporary, sharp global economic slowdown, and global financial market turmoil occurs as a result of the COVID-19 pandemic, with temporary, but severe currency depreciation. Interest rates reach very low levels. Sufficient global and domestic monetary and other policy support measures occur that are sufficient to see risk sentiment improve, and are also sufficient to bolster economic recovery and financial markets. South Africa is expected to exit recession in the third quarter of 2020. Expropriation without compensation (EWC) is put on hold in the crisis, and when it does occur, does not have a significant, negative impact on the economy, and is only confined to abandoned, unused, government and labour tenants' land.

South Africa works towards eradicating its structural weaknesses and retains its BB+ rating from Moody's as government debt projections stabilise.

At 31 March 2020 the scenario weighting of the base case was 43%. As at 31 March 2019 the scenario weighting of the base case was 42% and South Africa was expected to achieve an annual growth rate of around 2.0% year-on-year in 2020, and 3.0% year-on-year by 2024. A severe global crisis was not part of the base case. This year, the base case includes a severe global crisis, with extreme policy measures (domestically and globally) aimed at alleviating as much of the crises impact as possible.

In the lite down case scenario the international environment is the same as the base case, but the domestic environment differs. In the light down case South Africa fails to see its debt projections stabilise, and loses its BB+ rating from Moody's, dropping towards the single B ratings from Moody's, S&P and Fitch. This persists until substantial fiscal repair is achieved. In the lite down case a more severe recession occurs in South Africa than in the base case. Business confidence is depressed even further, and investment growth is weak, while load shedding occurs. The Rand sees significant weakness.

At 31 March 2020 the scenario weighting of the lite down case was 42%. At 31 March 2019 the downside case was used instead of the lite down case, and included a worse global environment than in base case at that time. At 31 March 2019 the scenario weighting of the downside case was 37%. The down case was characterised by a sharp global slowdown and commodity price slump, combined with sub-investment grade ratings from all three key credit rating agencies, with a risk of further downgrades. The extent of the global slowdown envisioned in the down case projected last year was less severe than the recession that is materialising this year as a consequence of the COVID-19 pandemic. South Africa was expected to lose its investment grade rating in the down case, but not see further deterioration towards the single B ratings. A combination of the materialisation of a number of domestic and international events have led to a revision in the definition of the scenario, and its assigned probability.

The severe down case is currently characterised by a lengthy global recession and a global financial crisis, as one or more additional downside/s to growth develop besides the COVID-19 pandemic. Monetary and other policy support measures domestically and internationally are insufficient in this scenario to eradicate the extent of the severe risk aversion in investor sentiment. A depression occurs in the South African economy, with unprecedented Rand weakness. Nationalisation of private sector property under expropriation without compensation occurs. South Africa's credit ratings drop to single B from all three of the key credit rating agencies, and further downgrades occur into C grade, as government finances deteriorate further as debt projections continue to elevate and do not stabilise. Government borrows from increasingly wider sources as it sinks deeper into a debt trap. The scenario includes widespread load shedding, strike action and civil unrest.

At 31 March 2020 the scenario weighting of the severe down case was 10%. The severe down case at 31 March 2019 was referred to as the extreme down case and had a weighting of 10%. It was characterised by a lengthy global recession, and for South Africa, an economic depression (10 quarters or more of negative growth). South Africa's credit ratings fell to junk and the country became a failed state. The projected lengthy depression in the extreme down case saw GDP fall on average by 2% over the five year forecast period, with very high interest rates. In comparison, the severe down case, which is now Investec's worst down case scenario, only has an average 0.5% contraction in GDP over the five year period. A transition to a less severe economic scenario for the worst case has occurred as SA is currently no longer seen at material risk of becoming a failed state. The credit ratings are currently only seen at material risk of falling into the C grade ratings, instead of into the D grade ratings category.

The up case is characterised by a relatively quick rebound from the COVID-19 pandemic, globally and domestically. Global risk-on prevails and the global economy quickly returns to trend growth. Within a couple of years, above trend global growth and high commodity prices occur. South Africa's economic growth reaches 3% year-on-year and then moves towards 5% year-on-year, also supported by better governance and growth creating reforms. Business confidence rises and investment levels strengthen substantially as structural problems are worked down. This in turn supports a sustained acceleration in economic growth. No further credit rating downgrades occur. The rating outlooks stabilise, and then become positive on fiscal consolidation, with government debt projections stabilising. EWC is limited and the EWC that does occur has a slight positive impact on the economy and is confined to abandoned, unused, government and labour tenants' land. In particular, individuals are the new owners and receive the title deeds of the properties with no nationalisation occurring.

The scenario weighting is 4%, compared to 10% at 31 March 2019. This change reflects the increased downside risks currently still being seen as a consequence of the impact of COVID-19, at 31 March 2019 a severe global and domestic crisis was not anticipated as the starting point for the up case scenario.

The extreme up case is an acceleration of the up case scenario.

In the extreme up case the impact that the COVID-19 pandemic has had domestically and internationally is resolved rapidly, without further downside to growth developing. The global economy sees strong growth and a commodity boom developing after an immediate, substantial rebound in economic activity. In South Africa all structural constraints are rapidly overcome, with very high levels of governance prevailing and growth-creating reforms are successfully aimed at the private sector. Business confidence reaches high levels and both high rates of domestic fixed investment and very substantial foreign direct investment (FDI) inflows occur. The domestic economy quickly reaches growth rates of 4% year-on-year then 5% year-on-year. Strong fiscal consolidation occurs and government debt as a % of GDP falls back to the low ratios of 2000s. After an initial stabilisation of the credit ratings, credit rating upgrades occur. A strengthening in property rights occurs as EWC has no negative effects on the economy and there is no nationalisation. EWC proves a driver to economic growth and is limited only to abandoned, government and labour tenants' land with individuals obtaining title deeds to these properties, with no corruption or political favours. The extreme up case is characterised by the occurrence of all of these events.

At 31 March 2020 the scenario weighting of the extreme up case was 1% and has remained unchanged from the weighting assigned at 31 March 2019. Although the assumptions supporting the extreme up case have remained essentially unchanged, the impact of the severe global crisis brought on by the COVID-19 pandemic has weakened the actual projected GDP trajectory of the extreme up case. At 31 March 2019, fast, sustainable economic growth of between 5-7% year-on-year or more by the end of the period was envisioned, averaging 5.2% over the five-year forecasts period. However, growth over the five-year period is now only anticipated to average 3.7% following the impact of the pandemic on the global and domestic economy.

The table below shows the key factors that formed part of the macro-economic scenarios and the relative applied weightings of these scenarios

Macro-economic scenarios	**At 31 March 2020 average 2020 – 2025**					**At 31 March 2019 average 2019 – 2023**				
	Extreme up case %	**Up case %**	**Base case %**	**Lite down case %**	**Severe down case %**	Extreme upside %	Upside %	Base case %	Downside %	Extreme Downside %
South Africa										
GDP growth	3.7	2.6	0.8	0.2	(0.5)	5.2	3.9	2.4	0.7	(2.0)
Repo rate	4.8	5.1	5.8	6.0	7.6	5.5	6.2	7.3	8.4	17.2
Bond yield	9.1	9.4	9.9	10.5	11.8	7.9	8.3	9.7	10.9	14.8
Residential property price growth	7.4	4.1	2.6	1.9	0.2	12.9	6.5	5.1	3.0	(1.1)
Commercial property price growth	4.1	2.0	0.1	(1.8)	(4.3)	5.7	3.1	1.2	(1.6)	(6.0)
Exchange rate (South African Rand:US Dollar)	9.7	11.7	14.8	16.9	18.2	8.1	9.9	13.0	16.9	24.1
Scenario weightings	**1**	**4**	**43**	**42**	**10**	**1**	**10**	**42**	**37**	**10**

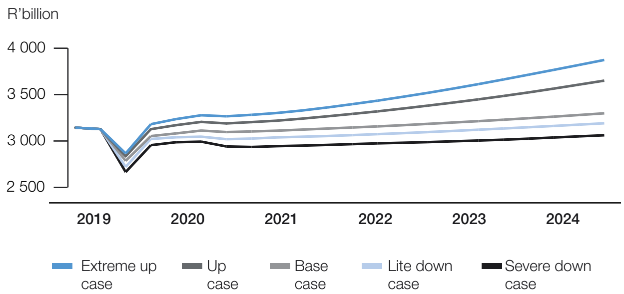
The following table shows annual averages of economic factors over a five-year period.

	Financial years				
Base case %	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
South Africa					
GDP growth	(4.4)	3.5	1.4	1.7	2.0
Repo rate	4.8	6.0	6.3	6.3	6.3
Bond yield	10.8	10.6	9.6	9.5	9.4
Residential property price growth	(2.0)	1.2	3.6	4.8	5.6
Commercial property price growth	(4.4)	0.3	1.3	1.5	2.2
Exchange rate (South African Rand:US Dollar)	16.6	14.5	14.4	14.2	14.3

The table below shows the historic and forecasted South African GDP and peak to trough measurements from base case, lite down case, and severe down case scenarios.

March 2020 – 2025 Peak to trough %	Base case	Lite down	Severe down
South Africa			
GDP	(10.9)	(13.0)	(14.8)
Residential property prices	(3.3)	(3.9)	(6.3)
Commercial property prices	(5.8)	(10.7)	(23.3)

South African GDP forecast



Macro-economic sensitivities

Following the COVID-19 pandemic, a management ECL overlay of R190 million and updated macroeconomic scenarios were considered the most appropriate way to capture the worsened economic environment given the significant levels of uncertainty and lack of supportable economic information to produce robust forecasts. The expected impact from COVID-19 as well as the offsetting effect of government measures require some level of judgement. Given this background, the fast-changing nature of the crisis and the government measures announced, which are not easily quantifiable in economic scenarios; we will continue to review and refine our approach to economic scenarios given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk include:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making
- Portfolio reviews and stress testing.

Within the credit approval process, internal and external ratings are included in the assessment of client quality.

A large proportion of the bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use ratings prepared externally where available to support our decision-making process.

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives and boards through IBL BRCC and DLC BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

Portfolio reviews and stress testing are undertaken on all material businesses, where the exposures are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients as well as other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

- **Core loans and advances:** The majority of credit and counterparty risk is through core loans and advances, which account for the material ECL allowances across our portfolio, which are detailed on pages 35 to 42
- **Treasury function:** There are also certain exposures, outside of core loans and advances where we assume credit and counterparty risk. These arise primarily from treasury placements where the treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally and are typically investment grade rated.

  In addition, credit and counterparty risk arises through the following exposures:

- **Customer trading activities to facilitate hedging client risk positions:** our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular, where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK and European residential mortgages. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt Securities:** From time-to-time, we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise from knowledge of the corporate market and are based on our analysis of the credit fundamentals.

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the bank seeks to decrease the credit risk associated with an exposure. The bank considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has a charge over assets, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

The bank has limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and assists the bank to recover outstanding exposures.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business. Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Lending against investment portfolios is typically geared at conservative loan-to-value ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association Master Agreements (ISDA), Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, the credit committee may require a Credit Support Annex (CSA) to ensure that marked-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement.

Set-off has been applied between assets, subject to credit risk and related liabilities in the annual financial statements, where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Further information on credit derivatives is provided on page 51.

The bank endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function of the bank ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

Credit and counterparty risk year in review

The current macro-economic environment remains challenging and volatile in the period under review. Growth in lending activities has slowed given the subdued business and economic outlook. We have maintained a conservative lending approach. Our lending appetite is based on a client-centric approach with a strong focus on client cash flows underpinned by tangible collateral.

Net core loan book growth since 31 March 2019 was 5.4% to R283.9 billion with growth in private client lending partially offset by subdued corporate activity.

Asset quality metrics before the COVID-19 pandemic reflected the solid performance of core loans. Pre COVID-19, the credit loss ratio was calculated at 0.21% for 31 March 2020 (31 March 2019: 0.27%) however, taking into account the impact of COVID-19 and the South African sovereign downgrades the credit loss ratio was 0.37%, largely reflecting a deterioration in macro-economic scenario forecasts.

Stage 2 exposures totalled R15.1 billion and have increased as a proportion of gross core loans subject to ECL to 5.3% at 31 March 2020 (31 March 2019: 4.0%).

Stage 3 exposures totalled R4.4 billion at 31 March 2020 or 1.5% of gross core loans subject to ECL (31 March 2019: 1.3%). Stage 3 exposures had an ECL coverage ratio of 43.2%.

Further information is provided in the financial review on pages 16 to 19 of the 2020 Investec Bank Limited group and company annual financial statements.

The tables that follow provide an analysis of the bank's gross credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R578.7 billion at 31 March 2020. Cash and near cash balances amount to R147.2 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks non-sovereign and non-bank cash placements and sovereign debt securities. There are Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 95.9% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	**31 March 2020**	31 March 2019
Cash and balances at central banks	36 390	10 062
Loans and advances to banks	18 054	19 904
Non-sovereign and non-bank cash placements	14 045	12 208
Reverse repurchase agreements and cash collateral on securities borrowed	26 427	18 552
Sovereign debt securities	64 362	60 898
Bank debt securities	12 270	12 529
Other debt securities	17 427	13 559
Derivative financial instruments	16 255	5 521
Securities arising from trading activities	3 045	4 840
Loans and advances to customers	280 097	264 397
Own originated loans and advances to customers securitised	7 208	7 677
Other loans and advances	267	355
Other assets	113	2 822
Total on-balance sheet exposures	**495 960**	**433 324**
Guarantees	17 313	11 955
Committed facilities related to loans and advances to customers	56 019	55 970
Contingent liabilities, letters of credit and other	9 380	7 740
Total off-balance sheet exposures	**82 712**	**75 665**
Total gross credit and counterparty exposures	**578 672**	**508 989**

A further analysis of gross credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 31 March 2020 R'million	Total gross credit and counterparty exposure	of which FVPL	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	36 390	–	36 390	(1)	267	36 656
Loans and advances to banks	18 054	–	18 054	(4)	–	18 050
Non-sovereign and non-bank cash placements	14 045	545	13 500	(31)	–	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	26 427	18 249	8 178	(1)	–	26 426
Sovereign debt securities	64 362	6 883	57 479	(39)	–	64 323
Bank debt securities	12 270	290	11 980	(11)	–	12 259
Other debt securities	17 427	3 736	13 691	(18)	–	17 409
Derivative financial instruments	16 255	16 255	–	–	1 179	17 434
Securities arising from trading activities	3 045	3 045	–	–	133	3 178
Investment portfolio	–	–	–	–	5 801*	5 801
Loans and advances to customers	280 097	22 936	257 161	(3 343)	–	276 754
Own originated loans and advances to customers securitised	7 208	–	7 208	(16)	–	7 192
Other loans and advances	267	–	267	(25)	–	242
Other securitised assets	–	–	–	–	416^^	416
Interests in associated undertakings	–	–	–	–	5 662	5 662
Deferred taxation assets	–	–	–	–	2 903	2 903
Other assets	113	–	113	(1)	6 044**	6 156
Property and equipment	–	–	–	–	3 008	3 008
Investment properties	–	–	–	–	1	1
Goodwill	–	–	–	–	178	178
Intangible assets	–	–	–	–	318	318
Loans to group companies	–	–	–	–	17 542	17 542
Total on-balance sheet exposures	**495 960**	**71 939**	**424 021**	**(3 490)**	**43 452**	**535 922**
Guarantees	17 313	–	17 313	(16)	978	18 275
Committed facilities related to loans and advances to customers	56 019	–	56 019	(48)	–	55 971
Contingent liabilities, letters of credit and other	9 380	4 642	4 738	–	14 993	24 373
Total off-balance sheet exposures	**82 712**	**4 642**	**78 070**	**(64)**	**15 971**	**98 619**
Total exposures	**578 672**	**76 581**	**502 091**	**(3 554)**	**59 423**	**634 541**

^ *ECLs include R48 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. This will result in minor differences between certain balance sheet lines reported above (largely sovereign debt securities) and the statutory balance sheet.*

* *Largely relates to exposures that are classified as investment risk in the banking book.*

^^ *Largely cash in securitised vehicles.*

** *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

A further analysis of gross credit and counterparty exposures *(continued)*

The table below indicates in which class of asset (on the face of the consolidated balance sheet) credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 31 March 2019 R'million	Total gross credit and counterparty exposure	of which FVPL	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	10 062	–	10 062	(8)	236	10 290
Loans and advances to banks	19 904	–	19 904	(1)	–	19 903
Non-sovereign and non-bank cash placements	12 208	611	11 597	(16)	–	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	9 870	8 682	–	–	18 552
Sovereign debt securities	60 898	9 053	51 845	(23)	–	60 875
Bank debt securities	12 529	277	12 252	(7)	–	12 522
Other debt securities	13 559	2 474	11 085	(11)	–	13 548
Derivative financial instruments	5 521	5 521	–	–	2 179	7 700
Securities arising from trading activities	4 840	4 840	–	–	219	5 059
Investment portfolio	–	–	–	–	7 664*	7 664
Loans and advances to customers	264 397	16 036	248 361	(2 660)	–	261 737
Own originated loans and advances to customers securitised	7 677	–	7 677	(10)	–	7 667
Other loans and advances	355	–	355	(26)	–	329
Other securitised assets	–	–	–	–	232^^	232
Interest in associated undertakings	–	–	–	–	6 251	6 251
Deferred taxation assets	–	–	–	–	1 514	1 514
Other assets	2 822	–	2 822	(90)	5 505**	8 237
Property and equipment	–	–	–	–	2 563	2 563
Investment properties	–	–	–	–	1	1
Goodwill	–	–	–	–	171	171
Intangible assets	–	–	–	–	418	418
Loans to group companies	–	–	–	–	18 151	18 151
Total on-balance sheet exposures	**433 324**	**48 682**	**384 642**	**(2 852)**	**45 104**	**475 576**
Guarantees	11 955	–	11 955	(6)	1 066	13 015
Committed facilities related to loans and advances to customers	55 970	35	55 935	(33)	–	55 937
Contingent liabilities, letters of credit and other	7 740	2 604	5 136	–	14 375	22 115
Total off-balance sheet exposures	**75 665**	**2 639**	**73 026**	**(39)**	**15 441**	**91 067**
Total exposures	**508 989**	**51 321**	**457 668**	**(2 891)**	**60 545**	**566 643**

^ *ECLs include R27 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within reserves. This will result in minor differences between certain balance sheet lines reported above (largely sovereign debt securities) and the statutory balance sheet.*

* *Largely relates to exposures that are classified as investment risk in the banking book.*

^^ *Largely cash in securitised vehicles.*

** *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Detailed analysis of gross credit and counterparty exposures by industry

At 31 March 2020 R'million	High net worth and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	36 390	–	–
Loans and advances to banks	–	–	–	–	–	–	18 054
Non-sovereign and non-bank cash placements	–	–	1 101	–	–	1 226	2 051
Reverse repurchase agreements and cash collateral on securities borrowed	170	–	–	–	–	12	25 181
Sovereign debt securities	–	–	–	–	64 362	–	–
Bank debt securities	–	–	–	–	–	–	12 270
Other debt securities	–	–	–	2 547	–	630	8 883
Derivative financial instruments	–	–	353	517	–	426	11 796
Securities arising from trading activities	–	–	–	80	1 860	–	423
Loans and advances to customers	139 825	49 367	2 755	7 884	4 011	8 179	22 461
Own originated loans and advances to customers securitised	7 208	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	2	34
Total on-balance sheet exposures	**147 203**	**49 367**	**4 209**	**11 028**	**106 623**	**10 475**	**101 153**
Guarantees	4 189	2 365	32	1 232	–	81	5 080
Committed facilities related to loans and advances to customers	38 304	4 614	542	1 451	200	672	2 860
Contingent liabilities, letters of credit and other	2 747	1 529	1	537	1 428	–	560
Total off-balance sheet exposures	**45 240**	**8 508**	**575**	**3 220**	**1 628**	**753**	**8 500**
Total gross credit and counterparty exposures	**192 443**	**57 875**	**4 784**	**14 248**	**108 251**	**11 228**	**109 653**

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Com-munication	**Total**
–	–	–	–	–	–	–	–	–	36 390
–	–	–	–	–	–	–	–	–	18 054
3 325	2 495	323	841	–	468	25	1 217	973	14 045
6	–	–	223	–	92	–	743	–	26 427
–	–	–	–	–	–	–	–	–	64 362
–	–	–	–	–	–	–	–	–	12 270
25	1 508	–	1 619	–	–	–	883	1 332	17 427
16	383	–	1 547	–	865	122	80	150	16 255
43	371	–	–	–	68	–	74	126	3 045
5 543	8 527	1 210	10 183	–	2 507	3 111	7 798	6 736	280 097
–	–	–	–	–	–	–	–	–	7 208
–	68	–	–	199	–	–	–	–	267
66	11	–	–	–	–	–	–	–	113
9 024	**13 363**	**1 533**	**14 413**	**199**	**4 000**	**3 258**	**10 795**	**9 317**	**495 960**
1 319	2 375	15	64	–	164	310	–	87	17 313
959	1 267	163	640	–	2 049	203	934	1 161	56 019
18	105	5	7	3	710	–	31	1 699	9 380
2 296	**3 747**	**183**	**711**	**3**	**2 923**	**513**	**965**	**2 947**	**82 712**
11 320	**17 110**	**1 716**	**15 124**	**202**	**6 923**	**3 771**	**11 760**	**12 264**	**578 672**

Detailed analysis of gross credit and counterparty exposures by industry *(continued)*

At 31 March 2019 R'million	High net worth and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	10 062	–	–
Loans and advances to banks	–	–	–	–	–	–	19 904
Non-sovereign and non-bank cash placements	–	–	1 267	–	41	1 567	1 865
Reverse repurchase agreements and cash collateral on securities borrowed	524	–	–	–	–	–	17 219
Sovereign debt securities	–	–	–	–	60 898	–	–
Bank debt securities	–	–	–	–	–	–	12 529
Other debt securities	–	–	–	2 625	–	881	4 527
Derivative financial instruments	–	–	56	853	9	48	3 815
Securities arising from trading activities	–	–	–	80	4 695	–	1
Loans and advances to customers	130 519	46 662	2 878	7 670	3 396	10 015	20 783
Own originated loans and advances to customers securitised	7 677	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	–
Other assets	–	–	16	–	–	52	–
Total on-balance sheet exposures	**138 720**	**46 662**	**4 217**	**11 228**	**79 101**	**12 563**	**80 643**
Guarantees	4 040	979	–	1 745	1	946	666
Committed facilities related to loans and advances to customers	34 305	4 225	1 741	673	571	1 569	4 609
Contingent liabilities, letters of credit and other	3 171	1 727	1	434	1 157	13	50
Total off-balance sheet exposures	**41 516**	**6 931**	**1 742**	**2 852**	**1 729**	**2 528**	**5 325**
Total gross credit and counterparty exposures	**180 236**	**53 593**	**5 959**	**14 080**	**80 830**	**15 091**	**85 968**

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	10 062
–	–	–	–	–	–	–	–	–	19 904
1 513	2 613	338	479	–	616	27	586	1 296	12 208
–	–	–	42	–	–	60	707	–	18 552
–	–	–	–	–	–	–	–	–	60 898
–	–	–	–	–	–	–	–	–	12 529
–	1 514	–	1 595	–	146	–	837	1 434	13 559
7	106	–	401	–	160	19	15	32	5 521
–	–	–	–	–	–	–	64	–	4 840
3 809	7 141	1 264	9 022	–	3 561	2 988	7 781	6 908	264 397
–	–	–	–	–	–	–	–	–	7 677
–	109	–	–	246	–	–	–	–	355
2 117	485	46	–	–	9	63	2	32	2 822
7 446	**11 968**	**1 648**	**11 539**	**246**	**4 492**	**3 157**	**9 992**	**9 702**	**433 324**
1 067	1 380	230	56	–	412	22	124	287	11 955
1 014	1 031	50	1 276	–	1 495	1 016	1 874	521	55 970
118	28	17	10	–	1	–	–	1 013	7 740
2 199	**2 439**	**297**	**1 342**	**–**	**1 908**	**1 038**	**1 998**	**1 821**	**75 665**
9 645	**14 407**	**1 945**	**12 881**	**246**	**6 400**	**4 195**	**11 990**	**11 523**	**508 989**

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2020 R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	**Total**
Cash and balances at central banks	36 390	–	–	–	–	–	36 390
Loans and advances to banks	16 713	335	707	299	–	–	18 054
Non-sovereign and non-bank cash placements	14 045	–	–	–	–	–	14 045
Reverse repurchase agreements and cash collateral on securities borrowed	21 665	2 792	116	1 083	771	–	26 427
Sovereign debt securities	13 243	9 657	9 021	8 668	19 231	4 542	64 362
Bank debt securities	698	–	754	5 092	5 726	–	12 270
Other debt securities	233	770	2 186	9 433	1 957	2 848	17 427
Derivative financial instruments	5 391	3 800	2 884	4 174	6	–	16 255
Securities arising from trading activities	30	24	469	878	625	1 019	3 045
Loans and advances to customers	25 835	19 234	30 879	154 230	33 105	16 814	280 097
Own originated loans and advances to customers securitised	–	2	2	39	716	6 449	7 208
Other loans and advances	267	–	–	–	–	–	267
Other assets	113	–	–	–	–	–	113
Total on-balance sheet exposures	**134 623**	**36 614**	**47 018**	**183 896**	**62 137**	**31 672**	**495 960**
Guarantees	1 499	745	3 734	7 689	3 449	197	17 313
Committed facilities related to loans and advances to customers	15 740	1 099	1 682	12 461	3 753	21 284	56 019
Contingent liabilities, letters of credit and other	994	293	889	5 405	708	1 091	9 380
Total off-balance sheet exposures	**18 233**	**2 137**	**6 305**	**25 555**	**7 910**	**22 572**	**82 712**
Total gross credit and counterparty exposures	**152 856**	**38 751**	**53 323**	**209 451**	**70 047**	**54 244**	**578 672**

The table below provides information on the bank's gross core loans and advances.

Composition of core loans and advances

R'million	31 March 2020	31 March 2019
Loans and advances to customers per the balance sheet	276 754	261 737
Add: own originated loans and advances to customers per the balance sheet	7 192	7 667
Net core loans and advances	**283 946**	**269 404**
*of which subject to ECL**	281 779	267 452
Net core loans and advances at amortised cost	261 077	253 396
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	20 702	14 056
of which FVPL (excluding fixed rate loans above)	2 167	1 952
Add: ECL	3 359	2 670
Gross core loans and advances	**287 305**	**272 074**
*of which subject to ECL**	285 138	270 122
of which FVPL (excluding fixed rate loans above)	2 167	1 952

^ *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 and advances measured at amortised cost. The drawn exposure (R21 billion) falls predominantly into Stage 1 (consistent throughout the period) (31 March 2019: R14 billion). The ECL on the portfolio is R67 million (31 March 2019: R29 million).*

* *Refer to definitions page 250 of the 2020 Investec Bank Limited group and company annual financial statements.*

An analysis of gross core loans and advances, asset quality and ECL

Stage 1: 93.2% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12–month expected credit loss. Coverage for these performing, non–deteriorated assets is 0.4%.

Stage 2: 5.3% of gross exposure is in Stage 2. These assets require a lifetime expected loss to be held. Only R1.3 billion or 0.5% of gross core loans and advances subject to ECL are shown in Stage 2 as greater than 30 days past due. R1.1 billion or 7.3% of Stage 2 have been categorised as such due to a significant model driven increase in credit risk since origination. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 1.5% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. Coverage ratio totals 43.2% and the remaining net exposure is considered to be well covered by collateral. Stage 3 ECL is predominantly driven by specific impairments raised against the non–performing loan portfolio.

An analysis of gross core loans and advances subject to ECL by stage

R'million	31 March 2020	31 March 2019
Gross core loans and advances subject to ECL	**285 138**	**270 122**
Stage 1	265 674	255 769
Stage 2	15 111	10 768
of which past due greater than 30 days	*1 297*	*354*
Stage 3	4 353	3 585
Gross core loans and advances subject to ECL (%)		
Stage 1	93.2%	94.7%
Stage 2	5.3%	4.0%
Stage 3	1.5%	1.3%

An analysis of ECL impairments on gross core loans and advances subject to ECL

R'million	31 March 2020	31 March 2019
ECL impairment charges on core loans and advances	(1 021)	(699)
Average gross core loans and advances subject to ECL	277 630	261 041
Credit loss ratio	**0.37%**	**0.27%**

R'million	31 March 2020	31 March 2019
ECL	**(3 359)**	**(2 670)**
Stage 1	(1 056)	(538)
Stage 2	(423)	(441)
Stage 3	(1 880)	(1 691)
Coverage ratio (%)		
Stage 1	0.4%	0.2%
Stage 2	2.8%	4.1%
Stage 3	43.2%	47.2%

A further analysis of Stage 3 gross core loans and advances subject to ECL

R'million	31 March 2020	31 March 2019
Stage 3 net of ECL	2 473	1 894
Aggregate collateral and other credit enhancements on Stage 3	2 696	3 055
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	1.5%	1.3%
Total ECL as a % of Stage 3 exposure	77.2%	74.5%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.9%	0.7%

The tables that follow provide information with respect to the asset quality of our gross core loans and advances.

An analysis of staging and ECL movements for core loans and advances subject to ECL

The table below indicates underlying movements in gross core loans and advances subject to ECL from 31 March 2019 to 31 March 2020. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. There have been greater movements into Stage 2 and Stage 3 than in the previous year, mainly driven by select exposures across a few sectors in our loan book. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell–downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. The ECL impact of changes to risk parameters and models during the period largely relates to the R190 million COVID-19 ECL overlay as well as updated macro-economic scenarios. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2019. Further analysis as at 31 March 2020 of gross core loans and advances to customers subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
1 April 2018	**239 753**	**(592)**	**9 346**	**(269)**	**2 861**	**(1 115)**	**251 960**	**(1 976)**
Transfer from Stage 1	(6 940)	349	5 986	(101)	954	(248)	–	–
Transfer from Stage 2	4 716	(116)	(5 658)	156	942	(40)	–	–
Transfer from Stage 3	412	(66)	26	(5)	(438)	71	–	–
ECL re-measurement arising from transfer of stage	–	125	–	(109)	–	(512)		(496)
New lending net of repayments (includes assets written off)	16 680	(185)	768	(137)	(709)	98	16 739	(224)
Changes to risk parameters and models	–	(24)	–	24	–	–	–	–
Foreign exchange and other	1 148	(29)	300	–	(25)	55	1 423	26
At 31 March 2019	**255 769**	**(538)**	**10 768**	**(441)**	**3 585**	**(1 691)**	**270 122**	**(2 670)**
Transfer from Stage 1	(10 059)	19	8 156	(15)	1 903	(4)	–	–
Transfer from Stage 2	4 386	(58)	(4 878)	69	492	(11)	–	–
Transfer from Stage 3	175	(35)	60	(9)	(235)	44	–	–
ECL remeasurement arising from transfer of stage	–	80	–	59	–	(879)	–	(740)
New lending net of repayments (includes assets written off)	14 547	(34)	967	(1)	(1 399)	757	14 115	722
Changes to risk parameters and models	–	(488)	–	(85)	–	(87)	–	(660)
Foreign exchange and other	856	(2)	38	–	7	(9)	901	(11)
At 31 March 2020	**265 674**	**(1 056)**	**15 111**	**(423)**	**4 353**	**(1 880)**	**285 138**	**(3 359)**

An analysis of credit quality by internal rating grade

The bank uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the bank to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to default probabilities (PDs) and can also be mapped to external rating agency scales.

Investec internal rating scale	*Indicative external rating scale*
IB01 – IB12	AAA to BBB–
IB13 – IB19	BB+ to B–
IB20 – IB25	B– and below
Stage 3	D

The internal credit rating distribution below is based on the 12–month PD at 31 March 2020 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2020 **R'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**128 100**	**140 899**	**11 786**	**4 353**	**285 138**
Stage 1	121 712	133 015	10 947	–	265 674
Stage 2	6 388	7 884	839	–	15 111
Stage 3	–	–	–	4 353	4 353
ECL	**(237)**	**(966)**	**(276)**	**(1 880)**	**(3 359)**
Stage 1	(98)	(792)	(166)	–	(1 056)
Stage 2	(139)	(174)	(110)	–	(423)
Stage 3	–	–	–	(1 880)	(1 880)
Coverage ratio	**0.2%**	**0.7%**	**2.3%**	**43.2%**	**1.2%**

At 31 March 2019 **R'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**153 269**	**93 665**	**19 603**	**3 585**	**270 122**
Stage 1	150 126	88 014	17 629	–	255 769
Stage 2	3 143	5 651	1 974	–	10 768
Stage 3	–	–	–	3 585	3 585
ECL	**(92)**	**(703)**	**(184)**	**(1 691)**	**(2 670)**
Stage 1	(59)	(358)	(121)	–	(538)
Stage 2	(33)	(345)	(63)	–	(441)
Stage 3	–	–	–	(1 691)	(1 691)
Coverage ratio	**0.1%**	**0.8%**	**0.9%**	**47.2%**	**1.0%**

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

Client quality and expertise are at the core of our credit philosophy. We typically provide senior debt and other funding for property transactions, with a strong preference for income producing assets supported by an experienced client providing a material level of cash equity investment into the asset.
Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality and income diversity for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan-to-security value ratios.

Year in review

The majority of the property assets are commercial investment properties and are located in South Africa. This portfolio grew by 6.9% to R39.7 billion at 31 March 2020 and is in line with our risk appetite. The forward looking macro-economic scenarios used in the measurement of ECL were updated to capture the wide-reaching impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the initial impact of COVID-19. A further management ECL overlay of R190 million was introduced at 31 March 2020 to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio as the calculated model-driven Stage 1 ECL for this portfolio was not considered sufficient. The loan-to-value in this portfolio remains conservative and transactions are generally supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								**Gross core loans and advances at FVPL (not subject to ECL)**	**Gross core loans and advances**
	Stage 1		**Stage 2**		**Stage 3**		**Total**			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Commercial real estate	**43 464**	**(305)**	**1 315**	**(4)**	**543**	**(100)**	**45 322**	**(409)**	**–**	**45 322**
Commercial real estate – investment	38 249	(280)	1 305	(4)	542	(99)	40 096	(383)	–	40 096
Commercial real estate – development	4 369	(21)	–	–	–	–	4 369	(21)	–	4 369
Commercial vacant land and planning	846	(4)	10	–	1	(1)	857	(5)	–	857
Residential real estate	**3 974**	**(33)**	**51**	**(2)**	**20**	**(10)**	**4 045**	**(45)**	**–**	**4 045**
Residential real estate – development	3 353	(24)	31	–	–	–	3 384	(24)	–	3 384
Residential vacant land and planning	621	(9)	20	(2)	20	(10)	661	(21)	–	661
Total lending collateralised by property	**47 438**	**(338)**	**1 366**	**(6)**	**563**	**(110)**	**49 367**	**(454)**	**–**	**49 367**
Coverage ratio	**0.71%**		**0.44%**		**19.54%**		**0.92%**			
At 31 March 2019										
Commercial real estate	**39 682**	**(63)**	**2 423**	**(25)**	**907**	**(320)**	**43 012**	**(408)**	**–**	**43 012**
Commercial real estate – investment	35 494	(49)	1 132	(17)	812	(225)	37 438	(291)	–	37 438
Commercial real estate – development	3 604	(11)	1 288	(8)	–	–	4 892	(19)	–	4 892
Commercial vacant land and planning	584	(3)	3	–	95	(95)	682	(98)	–	682
Residential real estate	**2 859**	**(44)**	**531**	**(11)**	**260**	**(150)**	**3 650**	**(205)**	**–**	**3 650**
Residential real estate – development	2 266	(20)	482	(9)	208	(105)	2 956	(134)	–	2 956
Residential vacant land and planning	593	(24)	49	(2)	52	(45)	694	(71)	–	694
Total lending collateralised by property	**42 541**	**(107)**	**2 954**	**(36)**	**1 167**	**(470)**	**46 662**	**(613)**	**–**	**46 662**
Coverage ratio	**0.25%**		**1.22%**		**40.27%**		**1.31%**			

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

Our private banking activities target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients and deliver solutions to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, offshore banking and foreign exchange. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- **Mortgages:** provides residential mortgage loan facilities to high net-worth individuals and high-income professionals tailored to their individual needs
- **High net worth and specialised lending:** provides tailored credit facilities to high net worth individuals and their controlled entities as well as portfolio loans to high net worth clients against their investment portfolio typically managed by Investec Wealth & Investment.

Year in review

We have seen continued growth in our private client portfolio and client base as we actively focus on our business strategy to increase our positioning in this space. Our high net worth client portfolio and residential mortgage book grew by 6.3% to R145.8 billion at 31 March 2020. Growth in both of these areas has been achieved with strong adherence to our risk appetite. The high net worth client portfolio continues to demonstrate resilience under COVID-19 conditions, accessing financial resources at their disposal where appropriate.

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								**Gross core loans and advances at FVPL (not subject to ECL)**	**Gross core loans and advances**
	Stage 1		**Stage 2**		**Stage 3**		**Total**			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2020										
Mortgages	76 473	(93)	2 454	(56)	1 204	(290)	80 131	(439)	–	80 131
High net worth and specialised lending	64 342	(261)	2 061	(126)	499	(421)	66 902	(808)	–	66 902
Total high net worth and other private client lending	**140 815**	**(354)**	**4 515**	**(182)**	**1 703**	**(711)**	**147 033**	**(1 247)**	**–**	**147 033**
Coverage ratio	**0.25%**		**4.03%**		**41.75%**		**0.85%**			
At 31 March 2019										
Mortgages	70 282	(86)	2 333	(61)	1 098	(245)	73 713	(392)	–	73 713
High net worth and specialised lending	63 272	(134)	671	(23)	540	(456)	64 483	(613)	–	64 483
Total high net worth and other private client lending	**133 554**	**(220)**	**3 004**	**(84)**	**1 638**	**(701)**	**138 196**	**(1 005)**	**–**	**138 196**
Coverage ratio	**0.16%**		**2.80%**		**42.80%**		**0.73%**			

An analysis of core loans and advances by risk category – Corporate and other lending

We focus on traditional client-driven corporate lending activities. Within the corporate lending businesses, credit risk can arise from corporate loans, acquisition finance, asset finance, power and infrastructure finance, asset-based lending, fund finance and resource finance. We also undertake debt origination activities for corporate clients.

The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where they are deemed appropriate.

The bank has limited appetite for unsecured credit risk and the facilities are typically secured by the assets of the borrower as well as shares of the borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is mainly in South Africa where the bank can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to fund vehicles which are secured against undrawn limited partner commitments and/or the funds underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-large cap companies where credit risk is typically considered with respect to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases (including motor vehicles) and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Large ticket asset finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is normally a requirement for a strong upfront equity contribution from an experienced sponsor.

Year in review

Corporate client and other lending increased by 3.6% to R89.2 billion as at 31 March 2020 as a result of increased lending activity by our mid-to-large corporate clients across a number of sectors. Growth has been well diversified across several asset classes and industries. Our SOE exposure is predominantly backed by government support.

As a result of the COVID-19 pandemic, we continue to proactively engage with clients and monitor developments closely, particularly the sub-sectors most affected to date which include the aviation portfolio due to the temporary shutdown of this industry and trade finance as a result of decreased import activity as well as heightened market volatility.

The aviation portfolio reported under both 'large ticket asset finance' and 'other corporate and financial institutions and governments', totals R4.4 billion of gross core loans at 31 March 2020. There is no unsecured corporate exposure to the airline industry. The majority of the exposure is either senior secured on aircraft with conservative loan to value ratios.

The trade finance exposure reported under asset-based lending totals R4.5 billion of gross core loans at 31 March 2020, the majority of the trade finance exposure is largely secured and covered by a credit guarantee. The government schemes announced are expected to directly support the clients within this business as well as in other areas of corporate and other lending.

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 and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Gross core loans and advances at amortised cost and FVPL (subject to ECL)									
At 31 March 2020										
Acquisition finance	11 110	(36)	823	(32)	82	(19)	12 015	(87)	–	12 015
Asset-based lending	6 122	(44)	803	(28)	1 136	(951)	8 061	(1 023)	–	8 061
Fund finance	8 408	(26)	–	–	–	–	8 408	(26)	–	8 408
Other corporate and financial institutions and governments	43 024	(238)	5 982	(164)	541	(89)	49 547	(491)	2 167	51 714
Asset finance	3 288	(6)	42	–	328	–	3 658	(6)	–	3 658
Small ticket asset finance	1 953	(2)	42	–	–	–	1 995	(2)	–	1 995
Large ticket asset finance	1 335	(4)	–	–	328	–	1 663	(4)	–	1 663
Power and infrastructure finance	5 430	(14)	1 481	(11)	–	–	6 911	(25)	–	6 911
Resource finance	39	–	99	–	–	–	138	–	–	138
Total corporate and other lending	**77 421**	**(364)**	**9 230**	**(235)**	**2 087**	**(1 059)**	**88 738**	**(1 658)**	**2 167**	**90 905**
Coverage ratio	**0.47%**		**2.55%**		**50.74%**		**1.87%**			
At 31 March 2019										
Acquisition finance	12 889	(34)	276	(2)	29	(1)	13 194	(37)	–	13 194
Asset-based lending	5 628	(26)	53	(2)	283	(188)	5 964	(216)	–	5 964
Fund finance	5 090	(8)	–	–	–	–	5 090	(8)	–	5 090
Other corporate and financial institutions and governments	46 592	(128)	2 671	(305)	460	(331)	49 723	(764)	1 952	51 675
Asset finance	3 844	(5)	18	(1)	8	–	3 870	(6)	–	3 870
Small ticket asset finance	1 962	(1)	18	(1)	8	–	1 988	(2)	–	1 988
Large ticket asset finance	1 882	(4)	–	–	–	–	1 882	(4)	–	1 882
Power and infrastructure finance	5 076	(9)	1 792	(11)	–	–	6 868	(20)	–	6 868
Resource finance	555	(1)	–	–	–	–	555	(1)	–	555
Total corporate and other lending	**79 674**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 264**	**(1 052)**	**1 952**	**87 216**
Coverage ratio	**0.26%**		**6.67%**		**66.67%**		**1.23%**			

Investment risk in the banking book

Investment risk description

Investment risk in the banking book arises primarily from the following activities conducted within the bank:

- **Principal Investments:** Principal Investments focuses on providing capital to entrepreneurs and management teams to further their growth ambitions and leveraging third party capital into funds that are relevant to our client base. This is achieved through working together with our franchise businesses, private capital and specialised finance. Investments are selected based on:
  - The track record of management;
  - Attractiveness of the industry and the positioning therein;
  - Valuation/pricing fundamentals;
  - Environmental and sustainability analyses;
  - Exit possibilities and timing thereof; and
  - The ability to build value by implementing an agreed strategy.

  Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments.
- **IEP Group:** Investec Bank Limited holds a 47.4% stake alongside third party investors and senior management of the business who collectively hold the remaining 52.6%. The investment in the IEP Group is reflected as an investment in an associate
- **Lending transactions:** The manner in which we structure certain transactions results in equity, warrants and profit shares being held, predominantly in unlisted companies
- **Property activities:** We undertake development, investment and trading opportunities in support of clients to create value and trade for profit within agreed risk parameters.

Management of investment risk

As investment risk arises from a variety of activities conducted by the bank, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of investment risk	*Management of risk*
Principal Investments	Investment committees, and IBL BRCC
Listed equities	Investment committees, market risk management and IBL BRCC
Profit shares and investments arising from lending transactions	Credit risk management committees and IBL BRCC
Investment and trading properties	Investment committees, Investec Property group investment committee and IBL BRCC
IEP Group	A number of our executives are on the board of the IEP Group and IBL BRCC

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets as well as stress testing scenario analysis are performed and reported to IBL BRCC. The portfolios are mainly made up of South African assets and industry concentration risk is well spread.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

R'million	**On-balance sheet value of investments 31 March 2020**	**Valuation change stress test 31 March 2020***	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments**	3 424	514	3 525	529
Listed equities	2 377	594	4 139	1 035
Investment and trading properties	31	6	254	49
Warrants and profit shares	–	–	174	61
The IEP Group	5 611	842	6 184	928
Total	**11 443**	**1 956**	**14 276**	**2 602**

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied.*

** *Includes the fair value loans investments of R1.1billion (31 March 2019: R1.2 billion), as referred to on page 213 of the 2020 Investec Bank Limited group and company annual financial statements.*

Stress test values applied	
Unlisted investments and the IEP Group	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information at 31 March 2020, as reflected above, we could have a R2.0 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the bank to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes being negatively impacted at the same time is low, although the probability of listed equities being negatively impacted at the same time is high.

To date our experience through the COVID-19 pandemic has been that certain exposures have been negatively impacted for idiosyncratic reasons, albeit the small listed equities book at 31 March 2020 was impacted substantially due to the significant global share price falls during March 2020.

Capital requirements

In terms of Basel III capital requirements for the bank, unlisted and listed equities within the banking book are represented under the category of equity risk and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Refer to page 73 for further detail.

Valuation and accounting methodologies

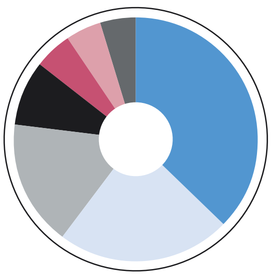
For a description of our valuation principles and methodologies refer to pages 194 to 203 tof the 2020 Investec Bank Limited group and company annual financial statements for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 0.74% of total assets (excluding assurance assets).

Refer to page 194 of the 2020 Investec Bank Limited group and company annual financial statements for further information.

Additional information

An analysis of the investment portfolio, warrants, profit shares and other embedded derivatives by industry of exposure (excluding investment and trading properties and the IEP Group)



31 MARCH 2020
R5 801 million

37.4%	Real estate
22.9%	Finance and insurance
16.7%	Communication
8.6%	Electricity, gas and water (Utility services)
5.1%	Manufacturing and commerce
4.8%	Mining and resources
4.5%	Other

Securitisation/structured credit activities exposures

Overview

The bank's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on positions we hold in an investor capacity and also include securitisation positions we have retained in transactions in which the bank has achieved significant risk transfer. We believe, however, that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 28 for the balance sheet and credit risk classification.

The bank applies the standardised approach in the assessment of regulatory capital for securitisation.

The bank engages in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile, but provides additional flexibility and a source of liquidity. IBL does not depend on special purpose vehicles for funding in the normal course of business. These entities form part of the consolidated bank balance sheet as reported.

We have securitised assets originated by our Private Client business. The primary motivations for the securitisation of these assets are to:

- Provide an alternative source of funding
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios
- Continue to create marketable instruments through self-securitisation.

Total assets that have been originated and securitised by the Private Client division amount to R7.2 billion at 31 March 2020 (31 March 2019: R7.7 billion) and consist of residential mortgages.

Further details of the various securitisation vehicles are highlighted below:

- Fox Street 1: R0.3 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.6 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R0.8 billion notes of the original R2.0 billion are still in issue. R794 million of the notes are held internally
- Fox Street 4: R1.4 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.7 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R1.1 billion notes of the original R1.3 billion are still in issue. R380 million of the notes are held internally
- Fox Street 7: R1.1 billion notes of the original R1.1 billion are still in issue. R99 million of the notes are held internally.

There is a clean-up call option that can be exercised at 10% of original notes issued. The margin on the notes increases at pre-specified intervals and coincides with the originator call option dates.

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated US corporate loans totalling R1.0 billion at 31 March 2020 (31 March 2019: nil), rated UK residential mortgage-backed securities (RMBS), totalling R0.8 billion at 31 March 2020 (31 March 2019: R0.2 billion), unrated South African RMBS totalling R1.6 billion at 31 March 2020 (31 March 2019: R1.1 billion) and unrated South Africa commercial mortgage backed securities (CMBS) totalling R20 million at 31 March 2020 (31 March 2019: R0.3 billion).

Accounting policies

Refer to page 164 to 166 of the 2020 Investec Bank Limited group and company annual financial statements.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the relevant credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the bank principally relies on its own internal risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the bank's appetite for such exposures, and each exposure is considered relative to the bank's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the bank prefers to address and manage these risks by only approving exposures to which the bank has explicit appetite through the constant and consistent application of the risk appetite policy.

In addition, securitisations of the bank's own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 11.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk. Assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities. These assets are reflected on the balance sheet line item 'own originated loans and advances to customers securitised' totalling R7.2 billion at 31 March 2020 (31 March 2019: R7.7 billion).

Securitisation/structured credit activities exposures

Nature of exposure/activity	**Exposure 31 March 2020 R'million**	Exposure 31 March 2019 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	3 413	1 633	Other debt securities	
Rated	1 754	167		
Unrated	1 659	1 466		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	175	220	Other loans and advances	
Private Client division assets which have been securitised (net exposure)	7 192	7 667	Own originated loans and advances to customers	Analysed as part of the bank's overall asset quality on core loans and advances as reflected on pages 35 to 42

Analysis of gross structured credit exposure

R'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US Corporate loans	–	958	–	–	–	–	958	–	958
UK RMBS	–	796	–	–	–	–	796	–	796
South African RMBS	–	–	–	–	–	–	–	1 639	1 639
South African CMBS	–	–	–	–	–	–	–	20	20
Total at 31 March 2020	**–**	**1 754**	**–**	**–**	**–**	**–**	**1 754**	**1 659**	**3 413**
Total at 31 March 2019	**–**	**33**	**–**	**–**	**134**	**–**	**167**	**1 466**	**1 633**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses.

Traded market risk profile

The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow. Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have an independent market risk team to identify, measure, monitor and manage market risk. This team reports into risk management where limits are approved, managed and monitored.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBL BRCC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum, IBL Review ERRF or IBL ERC in accordance with the risk appetite defined by the IBL board. Any significant changes in risk limits would then be taken to GRRRMF for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, in the event of a significant market event.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- Scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- Sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in ever-changing market environments. Stress scenarios are run daily with analysis presented to IBL Review ERRF weekly and IBL BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control

Market risk limits are set according to guidelines set out in our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management when required. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from past time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model used is based on full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available, and the resultant one-day VaR is scaled up using the square root of time method for regulatory purposes
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected shortfalls are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

	31 March 2020				31 March 2019			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
95% one-day VaR								
Commodities	0.1	0.1	0.3	–	0.1	0.1	0.4	–
Equities	4.7	4.1	8.7	3.0	3.6	3.4	7.2	1.6
Foreign exchange	1.3	2.2	6.5	0.7	1.4	2.1	6.5	0.9
Interest rates	2.9	2.3	5.4	0.8	1.2	2.1	9.0	0.4
Consolidated*	**6.5**	**5.1**	**9.5**	**3.2**	**3.8**	**4.5**	**9.7**	**1.5**

* *The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes.*

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

R'million	**31 March 2020 Year end**	31 March 2019 Year end
95% one-day ES		
Commodities	0.1	0.2
Equities	7.3	6.9
Foreign exchange	1.6	2.2
Interest rates	5.9	1.7
Consolidated*	**10.0**	**6.4**

* *The consolidated ES for each desk is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes.*

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but based on a one year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR.

R'million	**31 March 2020 Year end**	31 March 2019 Year end
99% one-day VaR	**21.1**	**8.6**

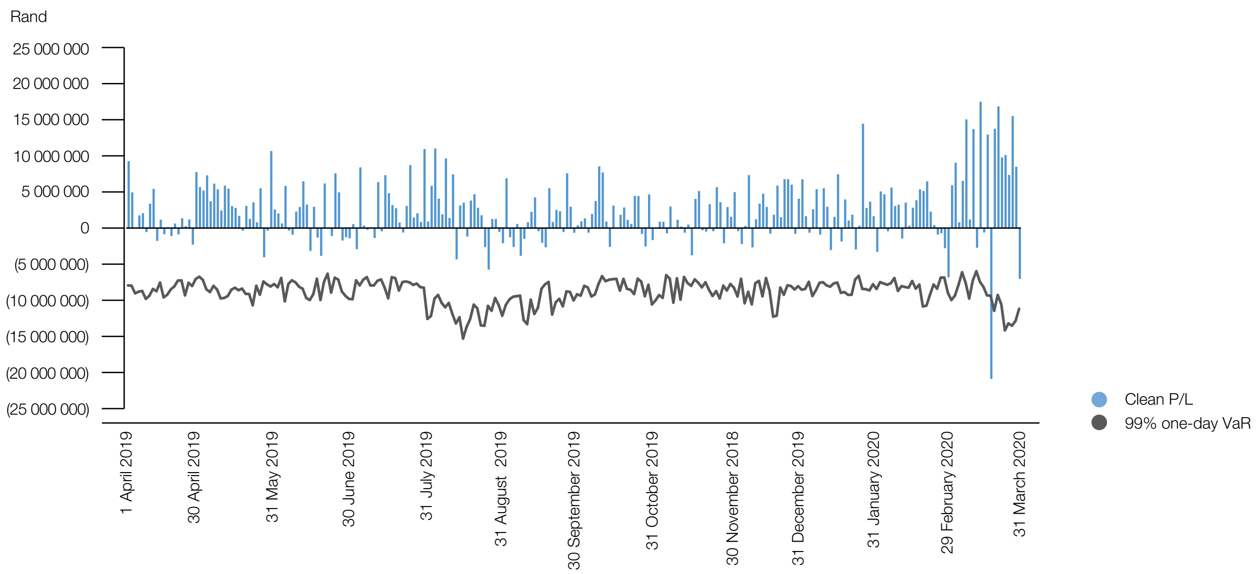
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in new trade revenue. If a loss exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested. This is conducted at an aggregate and desk level on a daily basis.

The graph that follow shows the result of backtesting the total daily 99% one-day VaR against the clean profit and loss figures for our trading activities over the reporting period. Based on these graphs, we can gauge the accuracy of the VaR figures i.e. 99% of the time, the total trading activities are not expected to lose more than the 99% one-day VaR.

The average VaR for the year ended 31 March 2020 was higher than the previous year. The graph below is based on clean profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions, resulted in one exception, which is below the expected number of two to three exceptions as implied by the 99% VaR model. The exception was as a result of significant increase in market volatility at the end of the financial year.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise in the trading book portfolio per extreme value theory (EVT) at the 99% confidence level. EVT is a methodology widely used to estimate tail-event losses beyond the 95% one-day VaR. The numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

	31 March 2020				31 March 2019			
R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
99% EVT								
Commodities	0.6	0.5	1.8	0.1	1.4	1.2	2.8	0.2
Equities	29.2	16.8	70.7	6.7	22.5	20.6	47.9	4.4
Foreign exchange	3.4	6.3	15.5	2.1	8.9	20.2	48.5	3.1
Interest rates	25.8	8.3	32.7	2.1	3.9	11.4	50.8	0.9
Consolidated#	**37.4**	**18.7**	**76.7**	**7.5**	**17.2**	**25.4**	**48.7**	**5.7**

\# *The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.*

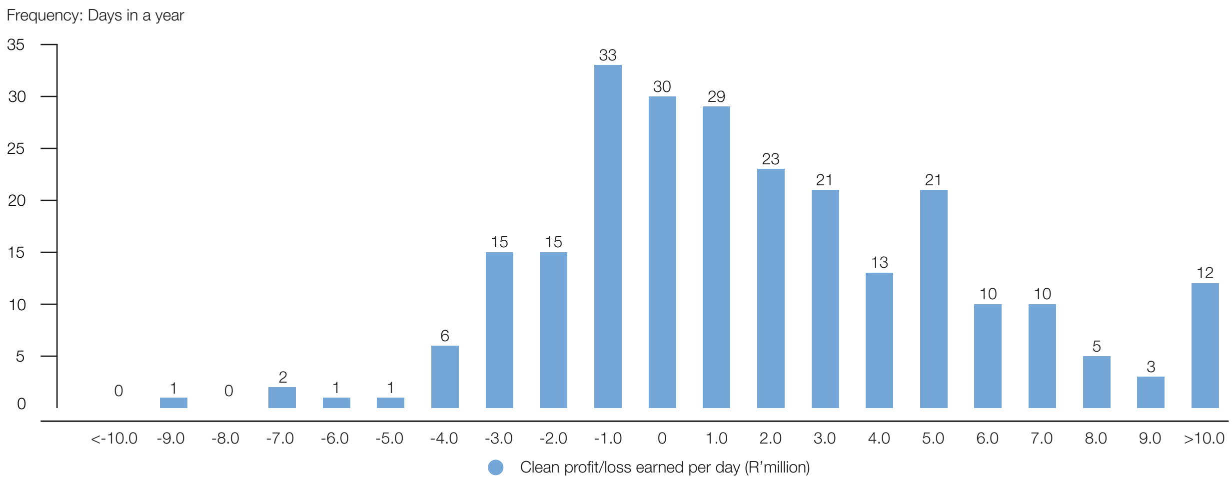
Capital

We have internal model approval from the South African PA for general market risk for all the above trading desks and accordingly trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR together with standardised specific risk capital for issuer risk.

Clean profit and loss histograms

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 177 days out of a total of 251 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2020 was R2.4 million (31 March 2019: R2.0 million).

Clean profit and loss (excluding fees and hedge costs included in new trade revenue)



Traded market risk year in review

Globally, the onset of the COVID-19 pandemic triggered extreme market movements, along with a lack of trading liquidity in certain markets. This resulted in a challenging risk management environment across the trading businesses and adversely affected trading revenue. The primary focus of the trading desks remains to manage and hedge the market risk arising from all client related activity.

Trading conditions remained challenging, dominated by local and global policy uncertainty. South Africa's credit rating was under the spotlight for most of the year, which ultimately led to a sovereign downgrade in March by Moody's. The JSE was down 21% year-on-year, while the Rand has depreciated by 23% year-on-year against the US dollar. Against this challenging economic backdrop, the trading desks have performed well, primarily focusing on client facilitation whilst maintaining low levels of open risk.

Utilisation of risk limits have remained moderate and the desks have remained prudent during the year.

Market risk – derivatives

The bank enters into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, commodity, equity and interest rate exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 211 to 212 of the 2020 Investec Bank Limited group and company annual financial statements.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and non-trading interest rate risk.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the respective boards, the bank has established ALCOs within each banking entity, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

ALCOs meet on at least a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each banking entity is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function, by banking entity is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the board-approved risk appetite limits. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the Treasury function.

The Treasury function directs pricing for all deposit products, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions. The Treasury function is the sole interface to the wholesale money market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

Balance sheet risk management teams are based within group risk management in their relevant regions, and are responsible for identifying, quantifying and monitoring risks; providing daily independent governance and oversight of the treasury activities and the execution of the bank's policies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by Investec's Audit committees.

Daily, weekly and monthly reports are independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, IBL Review ERRF, IBL ERC, IBL BRCC as well as summarised reports for board meetings.

Liquidity risk

Liquidity risk description

Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- **Funding liquidity:** this relates to the risk that the bank will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- **Market liquidity:** this relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the bank considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass requirements set out within Basel Committee on Banking Supervision (BCBS) guidelines and by the regulatory authorities in each jurisdiction, namely the South African PA and Bank of Mauritius (BOM)
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The bank maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. These include:

- Internal 'survival horizon' metric which models how many days it takes before the bank's cash position turns negative under an internally defined worst-case liquidity stress;
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR); and
  - Net Stable Funding Ratio (NSFR).
- Modelling a 'business as usual' environment where we apply rollover and reinvestment assumptions under benign market conditions;
- An array of further liquidity stress tests, based on a range of scenarios and using historical analysis, documented experience and prudent judgement to model the impact on the bank's balance sheet;
- Contractual run-off based actual cash flows with no modelling adjustments;
- Additional internally defined funding and balance sheet ratios; and
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which test 'tail risks' that can be missed in normal stress tests. The bank has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the bank's strong liquidity position, as it requires an extreme withdrawal of deposits combined with the inability to take any management actions to breach liquidity minima that threaten the bank's liquidity position.

The bank operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis.

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base.

The bank actively participates in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business.

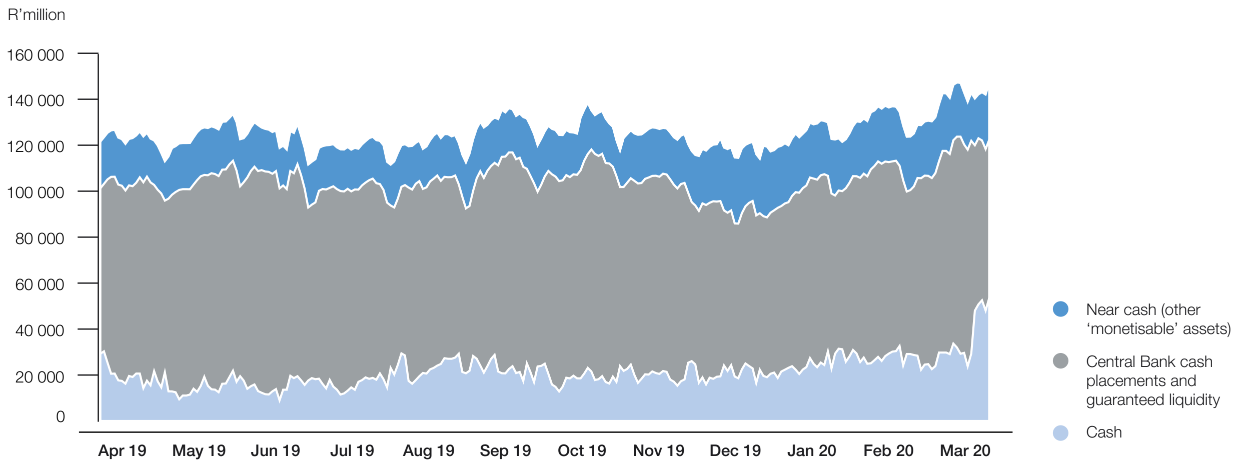
The bank's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the bank's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including operating environment, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

We remain confident in our ability to raise funding appropriate to our needs.

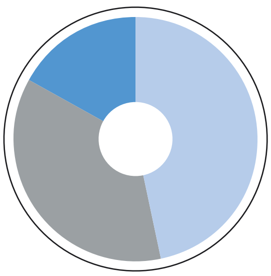
Liquidity buffer

To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection against disruptions in cash flows. These portfolios are managed within board-approved targets, and as well as providing a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. The bank remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

Cash and near cash trend



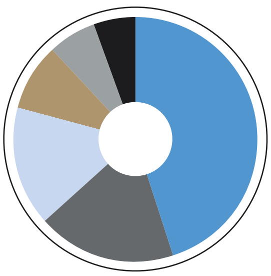
An analysis of cash and near cash at 31 March 2020



R147.2 billion

46.8%	Central Bank cash placements and guaranteed liquidity
36.3%	Cash
16.9%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 31 March 2020



R413.2 billion

45.0%	Other financials
18.5%	Individuals
15.6%	Non-financial corporates
9.0%	Banks
6.5%	Small business
5.4%	Public sector

The liquidity position of the bank remained sound with total cash and near cash balances amounting to R147.2 billion at year end

Contingency planning

The bank maintains contingency funding plans which detail the course of actions that can be taken in the event of a liquidity stress. The plans help to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plans include:

- Details on the required daily monitoring of the liquidity position;
- Description of the early warning indicators to be monitored, and process of escalation if required;
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios);
- Funding and management actions available for use in a stress situation;
- Roles and responsibilities;
- Details of specific escalation bodies and key contacts; and
- Internal and external communication plans.

The plans have been tested within our core jurisdictions via externally facilitated liquidity crisis simulation exercises which assess their suitability and ability to adequately contain a liquidity stress.

Liquidity mismatch

The tables that follow show the bank's contractual and behavioural liquidity mismatch.

The table will not agree directly to the balances disclosed in the balance sheet due to the inclusion of loans to group companies in the other asset line.

With respect to the contractual liquidity tables that follow, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- *Liquidity buffer:* the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the bank would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but behaviourally withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2020

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	50 848	1 433	1 352	65	973	–	35	54 706
Cash and short-term funds – non-banks	13 466	239	309	–	–	–	–	14 014
Investment/trading assets and statutory liquids	51 167	20 098	6 667	5 657	10 370	28 397	30 185	152 541
Securitised assets	–	–	–	–	–	3 596	4 012	7 608
Advances	4 184	5 516	8 659	15 936	17 920	114 594	110 187	276 996
Other assets	5 260	12 563	2 086	(299)	(77)	(2 766)	10 531	27 298
Assets	**124 925**	**39 849**	**19 073**	**21 359**	**29 186**	**143 821**	**154 950**	**533 163**
Deposits – banks	(493)	(1 127)	(298)	(197)	(118)	(35 044)	–	(37 277)
Deposits – non-banks	(179 982) ^	(21 831)	(57 046)	(30 874)	(40 067)	(42 479)	(3 669)	(375 948)
Negotiable paper	–	(251)	(491)	(36)	(1 240)	(1 215)	(25)	(3 258)
Securitised liabilities	–	–	–	–	–	–	(1 699)	(1 699)
Investment/trading liabilities	(6 855)	(4 995)	(19 612)	(3 255)	(3 947)	(12 532)	(2 048)	(53 244)
Subordinated liabilities	–	–	–	–	(610)	(11 427)	–	(12 037)
Other liabilities	(152)	(118)	(1 208)	(855)	(71)	(1 143)	(4 405)	(7 952)
Liabilities	**(187 482)**	**(28 322)**	**(78 655)**	**(35 217)**	**(46 053)**	**(103 840)**	**(11 846)**	**(491 415)**
Total equity	–	–	–	–	–	–	(41 748)	(41 748)
Contractual liquidity gap	**(62 557)**	**11 527**	**(59 582)**	**(13 858)**	**(16 867)**	**39 981**	**101 356**	**–**
Cumulative liquidity gap	(62 557)	(51 030)	(110 612)	(124 470)	(141 337)	(101 356)	–	

^ *Includes call deposits of R176 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity at 31 March 2020

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**87 204**	**(3 487)**	**(4 468)**	**(3 701)**	**(983)**	**(201 645)**	**127 080**	**–**
Cumulative	87 204	83 717	79 249	75 548	74 565	(127 080)	–	

Non-trading interest rate risk

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity.

Sources of interest rate risk in the banking book include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct impact on future net interest earnings and the economic value of equity.

Measurement and management of non-trading interest rate risk

Non-trading interest rate risk is an inherent consequence of conducting banking activities, and arises from the provision of (non-trading) banking products and services. The bank considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of non-trading interest rate risk management is to protect and enhance net interest income and economic value of equity in accordance with the board-approved risk appetite, and to ensure a high degree of stability of the net interest margin over an interest rate cycle. Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the bank's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering:

(i) Interest rate expectations and perceived risks to the central view

(ii) Standard shocks to levels and shapes of interest rates and yield curves

(iii) Historically-based yield curve changes.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon.

Each geographic entity has its own board-approved non-trading interest rate risk appetite, which is clearly defined in relation to both income risk and economic value risk. The bank has limited appetite for non-trading interest rate risk.

Operationally, daily management of interest rate risk is centralised within the Treasury of each geographic entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking book discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Automatic optionality arising from variable rate products with an embedded minimum lending rate serves as an income protection mechanism for the bank against falling interest rates while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

Internal capital is allocated for non-trading interest rate risk.

The bank complies with the BCBS108 framework which is currently in force for assessing banking book (non-trading) interest rate risk, and is in the process of enhancing its existing framework to adhere to the new BCBS368 principles which come into effect in 2022.

Interest rate sensitivity gap at 31 March 2020

The table below shows our non-trading interest rate mismatch at 31 March 2020. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

R'million	Not > three months	> Three months but < six months	> Six months < but one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	42 987	–	–	–	–	9 352	52 339
Cash and short-term funds – non-banks	13 984	–	–	–	–	30	14 014
Investment/trading assets and statutory liquids	53 874	12 744	9 875	18 507	21 764	9 904	126 668
Securitised assets	7 608	–	–	–	–	–	7 608
Advances	245 603	4 397	1 388	19 605	1 009	4 990	276 992
Other assets	15 706	(1 784)	(3 229)	(875)	(780)	11 156	20 194
Assets	**379 762**	**15 357**	**8 034**	**37 237**	**21 993**	**35 432**	**497 815**
Deposits – banks	(37 193)	(10)	(56)	(18)	–	–	(37 277)
Deposits – non-banks	(310 234)	(23 833)	(25 316)	(10 484)	(944)	(5 137)	(375 948)
Negotiable paper	(1 865)	(50)	(878)	(405)	–	(60)	(3 258)
Securitised liabilities	(1 699)	–	–	–	–	–	(1 699)
Investment/trading liabilities	(14 195)	–	–	(105)	(173)	–	(14 473)
Subordinated liabilities	(11 596)	–	(101)	(340)	–	–	(12 037)
Other liabilities	–	–	–	–	–	(6 111)	(6 111)
Liabilities	**(376 782)**	**(23 893)**	**(26 351)**	**(11 352)**	**(1 117)**	**(11 308)**	**(450 803)**
Total equity	(869)	–	–	–	–	(40 879)	(41 748)
Balance sheet	**2 111**	**(8 536)**	**(18 317)**	**25 885**	**20 876**	**(16 755)**	**5 264**
Off-balance sheet	5 458	14 990	18 868	(23 596)	(20 984)	–	(5 264)
Repricing gap	**7 569**	**6 454**	**551**	**2 289**	**(108)**	**(16 755)**	**–**
Cumulative repricing gap	7 569	14 023	14 574	16 863	16 755	–	

Economic value sensitivity at 31 March 2020

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)						
million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	**All (ZAR)**
200bps down	(216.3)	0.4	(3.9)	1.0	0.1	(0.7)	**(256.9)**
200bps up	133.2	(0.4)	2.6	(1.2)	(0.2)	1.0	**145.1**

Regulatory requirements

Liquidity Risk

In response to the global 2008/9 financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy.

Two minimum standards for funding liquidity were introduced:

- The liquidity coverage ratio (LCR) is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

There are various regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy. Namely, South Africa has exchange control that limits capital flows, along with prudential requirements on financial corporates.

A positive consequence of the above is that the Rand funding that the South African banks use is contained within the financial system and therefore the Rand is unlikely to be drained by currency withdrawal from offshore sources, or placements in offshore accounts.

To address this systemic challenge, the South African PA exercised national discretion and has announced a change to the available stable funding factor to include 35% of financial sector deposits that are less than six months in tenor. This, in turn, would reduce the amount of term deposits greater than six months in tenor, currently required by local banks to meet the NSFR, mitigating any increases in the overall cost of funds.

Despite the above constraints, Investec Bank Limited comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratios into our processes. The minimum requirements for LCR is 80%, recently reduced from 100% until such time as the South African PA is of the view that the financial markets have normalised. The minimum requirements of NSFR is 100%.

The South African PA noted that the South African HQLA shortage has continued to decrease such that the continued provision of the Committed Liquidity Facility (CLF) was unlikely to meet the qualifying criteria set out in the Basel III Framework. The South African PA therefore announced it would phase out the CLF over a period of three years by December 2021. Investec Bank Limited does not currently make use of the CLF.

Non-trading interest rate risk

In 2016, the BCBS finalised their standards for non-trading interest rate risk which recommended the risk is assessed as part of the bank's capital requirements, outlined six prescribed shock scenarios, and recommended enhanced disclosure requirements for supervisors to implement.

The South African PA has announced that it will adopt the new IRRBB regulatory reforms as outlined in BCBS368. Implementation of new IRRBB standards is scheduled for June 2021 allowing for one year parallel run with regulatory compliance deadline and public IRRBB disclosure following in January 2022. Investec Bank Limited currently submits required IRRBB output to the South African PA on a monthly basis and aims to be compliant with all aspects of the new IRRBB regulatory reforms when formally adopted by the South African PA.

South Africa, a member of the G20, has adopted the published BCBS guidelines for 'liquidity risk measurement standards and monitoring'.

There are certain shortcomings and constraints in the South African environment and the banking sector in South Africa is characterised by certain structural features such as:

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework.

Balance sheet risk year in review

South Africa continued to be confronted by several economic, political and social issues, both locally and internationally. South Africa's fiscal position remained under considerable pressure as the positions of Eskom, SAA and other SOEs continued to deteriorate. Globally, political and economic uncertainties such as Brexit and the US-China trade wars led to a changing sentiment towards emerging market assets. This led to alternating cycles of risk-on and risk-off periods, fuelling local currency volatility.

We closed the financial year with the COVID-19 pandemic placing the local and global economic activity under immense strain. Globally, central banks adopted a coordinated approach in reacting to the COVID-19 pandemic. They began cutting interest rates and putting various mechanisms in place to ensure markets remained liquid. The SARB cut rates by 250bps to the lowest levels in recent history. In addition to this, they employed further mechanisms to inject liquidity in the system; most notably, introducing additional term repo facilities for the banks to access, and the reduction in the LCR regulatory minimum from 100% to 80% until such time as the South African PA is of the view that financial markets have normalised.

Amid all the uncertainty brought about by COVID-19, Moody's announced a downgrade to the country's credit rating to below investment grade. The response to the downgrade was largely muted, however, as analysts and market participants believed the move was already largely priced into the market. This was followed by Fitch announcing a downgrade of South Africa's credit rating to BB from BB+, while also assigning a negative outlook.

IBL came into this period of economic and social turmoil with a strong balance sheet characterised by strong liquidity and capital ratios.

The pursuit of our long-term strategic objective to improve the resilience of our balance sheet by targeting the structural shape of our funding profile remains front and centre. We maintain $1.9 billion of strategic long-term non-ZAR funding from diversified sources across the globe at favourable funding spreads. Investec Bank Limited grew its total customer deposits by 10.0% from R341.6 billion to R375.9 billion as at 31 March 2020. Our private client funding initiatives had a pleasing year in the face of increased competition for retail deposits, delivering 16.8% growth to close the year at R170.4 billion, contributing positively to IBL's strategic funding objectives. We continue to see deposit growth out of our Private Banking franchise.

Over the same period, ZAR Wholesale funding grew by 5.0% to R205.5 billion with a strong focus on strategic tenor management. We are cognisant of the cost implications of long-term funding and continue to be strategic in our efforts to raise this type of funding. We continue to improve funding efficiency in line with Basel III liquidity guidelines.

Consistent with our liquidity management philosophy, we delivered liquidity ratios well above the regulatory requirements. The 90-day simple average LCR ended the financial year at 133.2%. The structural funding ratio represented by the NSFR ended the year at 116.2% as at 31 March 2020.

It is through the sustained resilience of our balance sheet that we believe we will be able to withstand these trying times and comfortably deal with disruptions the economy might encounter going forward.

Liquidity coverage ratio (LCR)

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

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

The values in the table are calculated as the simple average of the 91 calendar daily values over the period 1 January 2020 to 31 March 2020 for IBL solo. IBL consolidated group values use daily values for IBL solo, while those for other group entities use the average of January, February and March 2020 month-end values.

The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 100% from 1 January 2020.

IBL Solo

The main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time:

- The structure and nature of deposits inside the 30-day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30-day contractual bucket. In turn these deposit characteristics determine the targeted level of high quality liquid assets (HQLA) required to be held as a counterbalance to the modelled stressed outflows.

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for South African PA repo
- On average, Level 2 assets contributed 5% of total HQLA
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Changes since December 2019 quarter-end:

The average LCR increased by 10%, and remains fully compliant with regulatory requirements, and within the target range as set by the Board.

IBL Consolidated Group

Only banking and/or deposit-taking entities are included and the group data represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios. Our two banks, IBL and Investec Bank (Mauritius) (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows. With the ability to transfer cash surpluses between group entities, the consolidated group LCR improves IBL solo ratios.

At 31 March 2020 R'million	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited consolidated Group- Total weighted value**
High quality liquid assets (HQLA)	83 775	85 606
Net cash outflows	63 002	60 149
Actual LCR (%)	**133.2%**	**142.6%**
Required LCR (%)*	100%	100%

* *Temporarily reduced to 80%.*

Net stable funding ratio (NSFR)

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increasing its risk of failure and potentially lead to broader systemic risk.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar III of the Basel III liquidity accord, as specified by Directive 11/2015 and Directive 01/2019.

The values in the table are calculated as at 31 March 2020.

The Bank of Mauritius does not currently require banks to comply with the NSFR standard.

IBL Solo

The main drivers of the NSFR results and the evolution of the contribution of inputs to the NSFR's calculation over time:

- The asset class, customer type and residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. Capital issued is also a significant contributor
- The customer type and residual maturity of loans, as well as holdings in securities eligible as HQLA, are the key drivers of available stable funding. Lower weightings apply to mortgages, shorter-term loans and especially HQLA.

IBL Consolidated Group

Only banking and/or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, IBL and IBM contribute over 99% of the group's combined available and required stable funding. The consolidated group NSFR improves due to the contribution of IBM's capital to available stable funding.

At 31 March 2020 R'million	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited consolidated Group – Total weighted value**
Available stabe funding (ASF)	327 460	347 926
Required stabe funding (RSF)	281 488	296 512
Actual NSFR (%)	**116.3%**	**117.3%**
Required NSFR (%)	100%	100%

Operational risk

Operational risk description

Operational risk is defined as the potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impact could be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk is an inherent risk in the ordinary course of business activity. The bank aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the board in order to achieve its business and strategic objectives. The board is responsible for setting and regularly reviewing the risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the bank is willing to accept.

Operational risks are managed in accordance with the approved risk appettite. Any breaches of limits are escalated to IBL BRCC.

Management and measurement of operational risk

Regulatory capital

The bank applies the standardised approach (TSA) for the assessment of regulatory capital.

As part of the Basel III Reforms, The Basel Committee has announced revisions to the calculations of capital requirements for operational risk. A single standardised approach will replace all existing approaches for the calculation of regulatory capital.

The bank will continue to work closely with regulators and industry bodies on the implementation of the revisions.

Operational risk management framework and governance

The operational risk management framework is embedded at all levels of the bank, supported by the risk culture and enhanced on a continual basis in line with regulatory developments. Included in the framework are policies, practices and processes which facilitate the identification, assessment, mitigation, monitoring and reporting of operational risk.

The bank's approach to managing operational risk operates in terms of a levels of defence model which reinforces accountability by allocating roles and responsibilities.

The levels of defence model is applied as follows:

- Level 1 – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable
- Level 2 – Independent operational risk function: responsible for building and embedding the operational risk framework, challenging the business lines inputs to, and outputs from, risk management, risk measurement and reporting activities
- Level 3 – Independent review and challenge: responsible for reviewing and testing the application and effectiveness of operational risk management procedures and practices.

The bank's operational risk profile is reported on a regular basis to various operational risk forums and governance committees responsible for oversight.

Risk reports are used for ongoing monitoring of the operational risk profile which contributes to sound risk management and decision-making by the board and management.

Operational risk practices consist of the following:

	Risk and control assessments	*Internal risk events*	*External risk events*	*Key risk indicators*	*Scenarios analysis and capital calculation*
Description	Forward-looking qualitative assessments performed on key business processes. These assessments allow business units to identify, manage and monitor operational risks and controls	Internal risk events are analysed to enable business to identify and monitor trends in addition to addressing control weaknesses	An external data service is used to provide operational risk events from other organisations. These events are analysed to enhance our control environment. The external risk events also inform operational risk scenarios	Indicators are used to monitor risk exposures against identified thresholds. The output provides predictive capability in assessing the risk profile of the business	Extreme, unexpected, but plausible scenarios are assessed to identify and manage significant operational risk exposures. The results of this evaluation provide input to determine internal operational risk capital requirements

Operational risk year in review

The bank continued to enhance its operational risk framework in line with regulatory developments and sound practices. Regular interactions with regulators promotes an understanding of regulatory expectations and informs the approach to regulatory developments and requirements. The awareness of sound practice is achieved through interaction with industry counterparts as formal industry forums.

In response to the global COVID-19 pandemic, the bank has implemented all official and medical guidance as advised by the authorities. Our priority is the safety of our staff whilst remaining fully operational in supporting a business-as-usual environment and in servicing our client base whilst maintaining robust processes and controls. To this end all staff, including core operational and non-critical teams, have working-from-home capability. Where critical staff or teams are required in the office, this is managed on a case-by-case basis. As part of the switch to remote working caused by the COVID-19 pandemic, the group upgraded and improved the robustness of its technology infrastructure through increased capacity and security measures so as to facilitate a safe and durable global working environment.

Operational risk events

The bank manages all risk events within the agreed operational risk appetite. The majority of internal risks events for the year under review were categorised as execution and process failures and external fraud. Root cause analyses are performed on risk events to understand the weaknesses in the control environment and to determine the mitigating actions needed to prevent the failure from reoccurring.

Looking forward

Key operational risk considerations for the year ahead

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Anti-money laundering (AML), terrorist financing and sanctions	
Risk associated with money laundering, terrorist financing, bribery and tax evasion	• Implementation and continuous enhancement of AML, CFT and Sanctions, ABC (Anti-bribery and Corruption) policies and sanctions control systems across the bank • Increased sophistication of risk management methodology with the aim to allow more efficient allocation of resources toward higher risk areas • Continuous enhancement and automation of transaction monitoring capabilities, increased detection of AML related activities • Continuous monitoring and assimilation of local and international legislative and best-practice developments • AML knowledge is a key component of the control environment. The knowledge is supported by mandatory training for all staff and specialist training for AML roles • Industry participation to manage legislative requirements through engagement with regulators.
Business resilience	
Risk associated with disruptive incidents which can impact premises, staff, equipment, systems, and key business processes	• Maintaining business operations during adverse events, through appropriate continuity capabilities that minimise impact to clients and the broader financial system • Establishing fit-for-purpose resilience strategies including, but not limited to, relocating impacted businesses to alternate processing sites, implementation of high availability technology solutions, and ensuring physical resilience for critical infrastructure components • Conducting validation of recovery strategies at least annually to ensure they remain effective and appropriate • Enhancing the bank's global resilience capability through a team of dedicated resources and robust governance processes • Participating in regulatory and financial industry resilience activities to collaboratively minimise national systemic continuity risks.
Conduct	
Risk associated with inappropriate behaviour or business activities may lead to either a client, counterparty or market detriment and/or reputational and/or financial damage to the bank	• Strong organisational culture of entrenched values, which forms the cornerstone of Investec's behaviour towards all stakeholders, including clients • Appropriate controls and processes that deliver fair customer outcomes are in place • Monitoring of the bank's delivery of fair customer outcomes through conduct governance structures • Surveillance arrangements are in place across all trading activity and related communications • Continued cooperation with regulatory authorities and other stakeholders which include industry bodies on conduct risk issues • Promoting awareness of conduct-related matters across the bank through appropriate employee training and communication to drive responsible behaviour.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Cybersecurity	
Risk associated with cyberattacks which can result in data compromise, interruption to business processes or client services, financial losses, or reputational harm	• Maintaining a risk-based strategy integrating prediction, prevention, detection and response capabilities • Enhancing the security architecture using advanced technology, research and threat intelligence, to protect against evolving threats and sophisticated attacks • Maturing cyber resilience through coordinated incident response and crisis management processes • Stress-testing of cyber controls through security assessments, red team exercises and attack simulations, run both internally and in conjunction with independent specialists • Embeding secure software development and testing practices to ensure IT systems are secure by design • Provision of ongoing security training to staff to ensure high levels of awareness and vigilance.
Data management	
Risk associated with poor governance in acquiring, processing, storing, and protecting data	• Establishing consistent mechanisms for unified data consolidation, storage and reporting • Automating data flows and streamline integration between systems to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure • Monitoring, report on, and enhance data quality and aggregation, in line with business needs and regulatory principles • Obtaining predictive intelligence through data analytics to support proactive risk management • Maintaining data retention and destruction processes to meet business needs and comply with applicable legal obligations.
Fraud	
Risk associated with fraud, corruption, theft, forgery and integrity misconduct by staff, clients, suppliers and other stakeholders	• Enhancing the bank's global approach to fraud management through a holistic framework and consistent policies, standards and methodologies • Maintaining an independent integrity (whistle blowing) line to ensure staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies • Conducting fraud risk assessments to proactively identify and map existing preventative and detective controls to the relevant fraud risks, and evaluate whether the identified controls are operating effectively • Increasing fraud detection and prevention controls in response to the continued upward trend in operational losses due to fraud attempts • Maintaining collaboration with other financial institutions in fraud prevention to recover funds that have been paid away • Proactive monitoring of adherence to fraud prevention policies and embedding of practices which comply with updated regulations, industry guidance and best practice • Continuing to create awareness by focusing on training staff, educating clients and intermediaries on fraud prevention and detection • Participating in industry working groups to gain an understanding of current trends in order to enhance the control environment.
Information security	
Risk associated with unauthorised access, use, disclosure, modification or destruction of data, which can impact confidentiality, integrity, or availability	• Identifying and classify high-value information assets based on confidentiality and business criticality • Implementing intelligent data loss prevention controls to protect information against unauthorised access or disclosure • Managing role-based access to systems and data and controlled privileged IT access, supported by risk-based access and activity monitoring • Protecting internal and external information flows to ensure data completeness and integrity • Maintaining safeguards to protect confidential physical documents and facilitate secure destruction • Continually improving data breach monitoring and response in line with relevant privacy laws.

DEFINITION OF RISK	MANAGEMENT AND MITIGATION APPROACHES
Process failure	
Risk associated with inadequate internal processes, including human error and control failure within the business. This includes process origination, execution and operations	• Proactive assessment relating to new products and projects to identify and implement adequate and effective controls including the management of change • Addressing human errors through training, improvement of processes and controls, including automation of processes where possible • Segregation of duties and appropriate authorisation controls • Causal analysis is used to identify weaknesses in controls following the occurrence of risk events • Risk and performance indicators are used to monitor the effectiveness of controls across business units • Thematic reviews across business units to ensure consistent and efficient application of controls.
Regulatory compliance	
Risk associated with identification, implementation and monitoring of compliance with regulations	• Group compliance and group legal assist in the management of regulatory and compliance risk which includes the identification and adherence to legal and regulatory requirements • Aligning and effecting regulatory and compliance approach to reflect new regulatory landscapes particularly the change of regulatory structures (e.g. Transitioning from Ibor to Risk-Free Rates) • Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments • Monitoring remains focused appropriately as areas of conduct and regulatory risk develop • Ensuring that the business is appropriately positioned to cope with the regulatory changes resulting from geopolitical risk.
Technology	
Risk associated with disruption to the IT systems which underpin our critical business processes and client services	• Implementing strategic roadmaps that leverage new technologies to enhance capacity, scalability, security, resilience and robustness and reduce reliance on legacy IT systems • Future-proof IT development and implementation in support of innovation and delivery at pace • Driving automation to reduce human error whilst enhancing efficiency • Continuing to align IT architecture and standards across the bank, to reduce technical complexity and leverage common functions and services • Enhancing proactive monitoring of the IT environment, for continual visibility of health and performance • Maintaining and test IT resilience capabilities to withstand failure and minimise service disruption.
Third party	
Risk associated with the reliance on, and use of a service provider to provide services to the bank	• Appropriate due diligence in place to access and approve third-party arrangements • Policies and practices include adequate guidance over the assessment, selection, suitability and oversight of third party service providers • Continuing to strengthen governance processes and relevant policies relating to how to identify, assess, mitigate and manage risks across the range of third party service providers • Repeatable processes to facilitate both upfront and periodic evaluation based on the size, materiality, security and service provision of the third party.

Insurance

The bank maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

Recovery and resolution planning

The purpose of the recovery plans is to document how the board and management will plan for recovery from extreme financial stress to avoid liquidity and capital difficulties in the bank. The plan is reviewed and approved by the IBL board on an annual basis.

The recovery plans for the bank:

- Integrate with existing contingency planning;
- Analyse the potential for severe stress in the bank;
- Identify roles and responsibilities;
- Identify early warning indicators and trigger levels;
- Analyses the effects of the stresses under various scenarios;
- Include potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions; and
- Analyses the recovery potential as a result of these actions to avoid resolution.

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The South African PA has adopted this requirement and has to date required South African domestically significant banking institutions to develop recovery plans. Guidance issued by the Financial Stability Board and the South African PA has been incorporated into Investec's recovery plan.

The South African PA has continued to focus on banks' finalising their recovery plans and together with the South African Treasury are considering legislation to adopt a resolution framework. We will be subject to this legislation once it is adopted.

Reputational and strategic risk

Reputational risk is damage to our reputation, name or brand and is often associated with strategic decisions. It also arises as a result of other risks manifesting and not being appropriately mitigated.

The bank aspires to maintain an excellent reputation for entrepreneurship, strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The bank recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles. We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The bank's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices. As one of our core values and philosophies, we demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Strategic and reputational risk is mitigated as much as possible through these detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders. In addition, Investec group's policy is to avoid any transaction, service or association which may bring with it the risk of potential damage to our reputation. Transaction approval governance structures such as credit and new product committees have therefore been tasked with this responsibility in relation to all new business undertaken. A disclosure and public communications policy has also been approved by the IBL board.

Legal risk

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the bank. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes, among other things, the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources

- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing Legal Risk Forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk. The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the bank.

Conduct risk

The South African regulators have renewed and refocused efforts to ensure that the South African financial sector provides clients with good-value products in order to receive and make payments, save, borrow and insure against daily risks. To this end, a strong market conduct policy is a critical pillar in building a financial sector that delivers these outcomes. The required structural regulatory reform has progressed, with the Financial Sector Regulation Act 9 of 2017 (FSR Act) which came into effect in April 2018, with the established two new Authorities, namely the South African PA and a dedicated market conduct Authority, the Financial Sector Conduct Authority (FSCA). The FSCA is responsible for the regulation and supervision of financial institution that provide financial products and financial services i.e. financial institutions that are licensed in terms of a financial sector law.

The FSCA's key objective is to enhance and support the efficiency and integrity of financial markets, to protect financial customers by promoting their fair treatment by financial institutions and financial inclusion. The FSCA expects all licensed financial institutions to act with integrity and to treat their customers fairly. Furthermore, the FSCA expects financial institutions to have a culture that is conducive to consumer protection and market integrity, supported by a conduct risk framework.

The draft Conduct of Financial Institutions Bill (COFI Bill) was published for comment in December 2018 and the submission date for commentary was 1 April 2019. It is envisaged that the COFI Bill, once enacted, will consolidate and strengthen conduct laws and further ensure financial inclusion and transformation of the financial sector. The Bill establishes binding principles that reflect the outcomes that the financial sector will be expected to meet. The next reiteration of the COFI Bill is expected to be published for public comment during the second or third quarter of 2020.

Culture and governance are the underlying themes of the COFI Bill and the FSCA's approach to supervising and regulating financial institutions with a focus on the conduct of both the individuals and financial institutions. The FSCA requires improvements in culture of the financial institutions, including ensuring appropriate governance frameworks. Furthermore the FSCA requires that the decision-makers are directly and personally held accountable for weak governance and abusive practices by the institution.

Our approach to conduct risk is driven by our values and philosophies, which include 'client focus' and 'cast iron integrity' and is aligned with the regulator's retail and wholesale conduct risk regime. The implementation of appropriate standards of conduct, aims to ensure that the bank and its subsidiaries operate responsibly, appropriately and with integrity in the wholesale and retail markets, with the fair treatment of customers being the highest priority. The bank ensures that its products and services are scrutinized and regularly reviewed to ensure that they continue to deliver value and perform as expected. The bank has furthermore enabled a business environment that is conducive to consumer protection and market integrity, supported with the appropriate conduct risk management framework and it continues to align its conduct framework to developing legislative requirements and applicable best practices.

Climate risk and opportunities

Our position on climate change

We recognise the complexity and urgency of climate change. The bank's environmental policy considers the risks and opportunities that climate change presents to the global economy. We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C. We also recognise the urgency and need to accelerate action which has been incorporated into our approach.

Climate related financial disclosures (TCFD)

The table below illustrates a summary of our progress in terms of the TCFD aligned with the Financial Stability Board Taskforce recommendations and is structured around four core elements: governance, strategy, risk management, and metrics and targets. Climate risk disclosure is an evolving process. As we receive guidance from our regulatory regimes and the relevant reporting frameworks, we will continue to engage constructively with various stakeholders to improve our disclosures in alignment with our commitment to climate action.

Refer to detailed information in our 2020 TCFD report on our website

	PRE FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR END MARCH 2020	FINANCIAL YEAR END TO MARCH 2021
Governance	• Strengthened the group climate change statement and policy on environment • Reviewed the group policy on environmental and social risk for both investing and lending activities • Reviewed the group policy on lending to the coal industry	• Assigned board responsibility and oversight for climate related risks and opportunities • Assigned senior management responsibility for climate related risks and opportunities • Published a public fossil fuel policy	• Review risk appetite statements and frameworks to include TCFD recommendations, guidance and parameters
Strategy	• Committed to support the objectives of the Paris Agreement • Acknowledged our support of the TCFD recommendations in our annual reporting	• Followed the Intergovernmental Panel on Climate Change (IPCC) mitigation pathway of limiting global temperatures to 1.5ºC • Committing to ongoing carbon neutral emissions across all operations • First bank in SA and the eighth bank in the UK banking and financial services sector to sign up to the TCFDs in August 2019	• Engage with supply chain and clients to fully understand the carbon intensity of their business and to support them in implementing carbon reduction strategies • Climate scenario analysis and reporting
Risk management	• Supported business through: – guidance on ESG related matters using in-house developed ESG guidebooks based on IFC guidelines and – *ad hoc* training and awareness on ESG matters	• Evaluated lending and investment portfolios for ESG risks • Evaluated lending and investment portfolios for climate related risks and opportunities • Evaluated exposure to fossil fuels	• Strengthen capabilities in ESG identification, screening, measurement and reporting in risk management processes
Metrics and targets	• Included non-financial and ESG related targets within executive remuneration with a total weighting of 20% of short-term incentives and 25% of long-term incentives • Implemented emission reduction targets within our operations relating to energy usage	• Achieved carbon neutral status across our global operations for emissions in the 2020 financial year • Committed to ongoing carbon neutral emissions across all operations • Disclosed our fossil fuel exposure and ESG risk exposure in our sustainability report	• Evaluate sourcing operational energy requirements from renewable energy providers • Include climate metrics in risk appetite indicators • Review climate-related targets for executive remuneration

Capital management and allocation

Current regulatory framework

IBL is regulated by the South African PA at three distinct reporting levels; Investec Limited (which is equivalent to the scope of the controlling company), IBL Consolidated (which is equivalent to the scope of the consolidated banking group) and IBL Solo (which is equivalent to the standalone bank company). IBL calculates capital resources and requirements using the Basel III framework, in accordance with the amended Regulations relating to Banks (the Regulations), which sets out, amongst other things, the prescribed minimum required capital ratios and various components of capital requirements. In addition the South African capital framework, based on the Basel III framework, is further specified in Banks Act Directive 6 of 2016 (the capital directive), which sets out matters related to the prescribed minimum capital ratios and the application of various components of the said capital requirements such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirements, the countercyclical buffer (CCyB) range and the capital conservation buffer (CCB) range. In accordance with the capital directive, IBL has fully phased in all minimum Basel III ratios and requirements.

During the 2020 financial year, IBL was once again identified as a South African D-SIB and complies with such prescribed higher loss-absorbency (HLA) requirements in line with the Regulations. In addition, IBL Consolidated has further been designated as a systemically important financial institution (SIFI) in accordance with section 29 of the Financial Sector Regulation Act 9 of 2017 (FSR Act). The designation as a SIFI will have certain implications for IBL, most notably, IBL will be subject to an open bank resolution framework as promulgated in the draft Financial Sector Laws Amendment Bill (FSLAB) of 2018. The South African PA published a supplementary document, "Ending too big to fail - South Africa's intended approach to bank resolution", of which the discussion paper sets out the South African PA's intended approach to planning for and conducting an open-bank resolution. The FSLAB introduced a new tranche of loss-absorbing instruments, referred to as 'flac' instruments, which will be subordinated to other unsecured liabilities and be clearly intended for bail-in within an open-bank resolution. The calibration, appetite and characteristics of 'flac' is currently subject to rigorous industry debate and is expected to develop in line with the finalisation of the FSLAB during the 2020 calendar year. This is a new area of responsibility for both the South African PA and banks, and as more insights are gained, the contents of the paper and the impact on Investec will be refined during 2020.

The South African PA continuously assess IBL's bank specific individual capital requirement (ICR), also known as Pillar 2B, as part of its Supervisory Review and Evaluation Process (SREP), of which ICR may be based on factors such as the outcome of a common stress test on management/board buffers and/or levels of economic capital to cover risks not regarded as Pillar 1 risks, as observed in the Internal Capital Adequacy Assessment Process (ICAAP). IBL maintains an additional discretionary capital buffer, above the specified minimum requirements, to ensure that the execution of internal business objectives and to prevent the group from falling below the relevant capital minima's with the occurrence of adverse/unforeseen external stresses. In line with Banks Act Circular 6 of 2016, banks in South Africa should not disclose to the public their ICR or D-SIB capital add-on requirements as these are bank-specific that are based on a combination of various qualitative and quantitative factors that are not directly comparable across banks.

With effect 1 January 2016, all CCyBs should be incorporated into a weighted average CCyB calculation based on jurisdictional reciprocity. Reciprocity ensures that the application of the CCyB in each jurisdiction does not distort the level playing field between domestic banks and foreign banks with exposures to counterparties in the same jurisdiction. South Africa has not announced any CCyB requirements for 2020. As at 31 March 2020, IBL does not have any jurisdictional reciprocity CCyB add-on as calculated in accordance with Banks Act Directive 2 od 2018.

For the year ended 31 March 2020, Investec calculated its minimum capital requirements in respect of:

- Credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB), and wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB);
- Credit risk for Investec Bank Mauritius and non-bank subsidiaries using the standardised approach;
- CCR exposure using the current exposure method (CEM);
- Operational risk capital requirement on the standardised approach;
- Equity risk using the IRB approach by applying the simple risk-weight method; and
- Market risk using an internal risk management model, approved by the South African PA.

Management of each separately regulated entity within IBL, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory considerations

The regulatory environment has continued to evolve during 2019/2020, with a vast number of new consultations, regulatory technical standards, implementing technical standards and other proposals being published or adopted, by the BCBS and the South African PA.

During December 2019, the BCBS issued a consolidated Basel Framework. The framework brings together all of the BCBS's global standards for the regulation and supervision of banks. The publication of the standards in the new format of the consolidated framework has focused on reorganising existing requirements, not introducing new requirements or otherwise amending the standards previously agreed and published by the BCBS. The preparation of the standards in the new format did, however, reveal some inconsistencies between Basel requirements as well as ambiguities that needed to be addressed through minor policy changes. Therefore, concurrent with the publication of the consolidated framework, the South African PA will publish a consultative document during 2020, that will outline the proposed changes to the South African banking regulations.

In addition, South African PA Communication 2 of 2020, issued under the FSR Act, sets out the South African PA's proposed revised implementation dates in respect of specific regulatory frameworks in South Africa as a result of the impact of COVID-19. The proposed implementation dates are informed by a number of considerations, including the actions taken by the relevant international standard-setting bodies; whether the implementation of the framework is aligned to the regulatory or supervisory actions taken by the South African PA to date in response to COVID-19 and South Africa's overall progress in the implementation of certain internationally agreed frameworks and their relevant implementation dates.

Most notably, the key frameworks that have been delayed that will have an impact on IBL includes: the Standardised Approach to Counterparty Credit Risk, (SA-CCR), capital requirements for banks exposures to central counterparties, and capital requirements for equity investments in funds that have been moved out to 1 January 2021 (from 1 October 2020) and the revisions to the securitisation framework and large exposures framework that has been moved to 1 April 2021 from 1 January 2021.

IBL continues to assess and monitor the impact of new regulations and regulatory reforms through participation in Quantitative Impact Studies submissions to the South African PA, contributing to industry consultations and discussion groups at the Banking Association of South Africa (BASA) and quantifying and presenting the impact of these reforms on IBL to the Capital Committees and to the board.

In addition to the actions taken by the South African PA on deploying monetary policy tools to mitigate the impact of COVID-19, the South African PA has provided for regulatory relief measures as well as guidance to banks in managing the crisis. With the exception of the LCR relief that is effective 31 March 2020, the remainder of the relief measures will be available to banks during the COVID19 stress period, effective from 6 April 2020, and adequate notice and phase back will be provided by the South African PA once the impact period is better understood. The regulatory relief measures are provided for in three areas, namely:

- Loans restructured as a result of the impact of COVID-19 will not attract a higher capital charge
- For the duration of the crisis, the LCR, the ratio setting out the liquid assets a bank must maintain in relation to its anticipated outflows, is being lowered from 100% to 80%
- Banks Act Directives 2 of 2020 outlines various measures to provide temporary capital relief to banks during COVID19 stress period, i.e. from 6 April 2020 until such further notice from the South African PA. These capital relief measures include:
  - The temporary relaxation of the Pillar 2A buffer to 0% (from 1%);
  - Permission to utilise the CCB and the D-SIB buffer, subject to prior approval from the South African PA; and
  - The add back of the Pillar 2A buffer for purposes of the minority capital calculation and the conservation of capital distributions.

It is important to note that the South African PA intends to phase-in/reinstate the Pillar 2A buffer post the COVID19 stress period.

The South African PA has further provided recommendations to banks in Guidance note 4 of 2020 regarding the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers. The recommendations include:

- Banks should appropriately conserve capital to retain their capacity to support the real economy in an environment of heightened uncertainty caused by Covid-19
- Capital resources must continue to be available to support the real economy and to absorb losses in the immediate and medium to long term, and as such, the South African PA expects:
  - no distribution of dividends on ordinary shares and no payment of cash bonuses to executive officers and material risk takers, should take place in 2020
  - board of directors of a bank to take appropriate action in respect of any distributions on dividends that may have already been declared by the bank and in respect of the accrual, vesting and payment of variable remuneration.

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. IBL has always held capital well in excess of regulatory requirements and the group continues to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

The Investec Limited and DLC Capital Committees are responsible for ensuring that the impact of any regulatory change is analysed, understood, prepared and planned for. To allow the committee to carry out this function, the group's regulatory and capital management teams closely monitor regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment, the committee is provided with analysis setting out the group's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Management of leverage

At present IBL calculates and reports its leverage ratio based on the latest South African PA regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build-up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. Following guidance from the South African PA, IBL applies the rules as outlined in the most recent BCBS publication.

Leverage ratio target

IBL is currently targeting a leverage ratio above 6%.

Capital management

Philosophy and approach

IBL operates an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the IBL board's risk appetite across all risks faced by the group;
- Provide protection to depositors against losses arising from risks inherent in the business;
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions.

Capital planning and stress/scenario testing

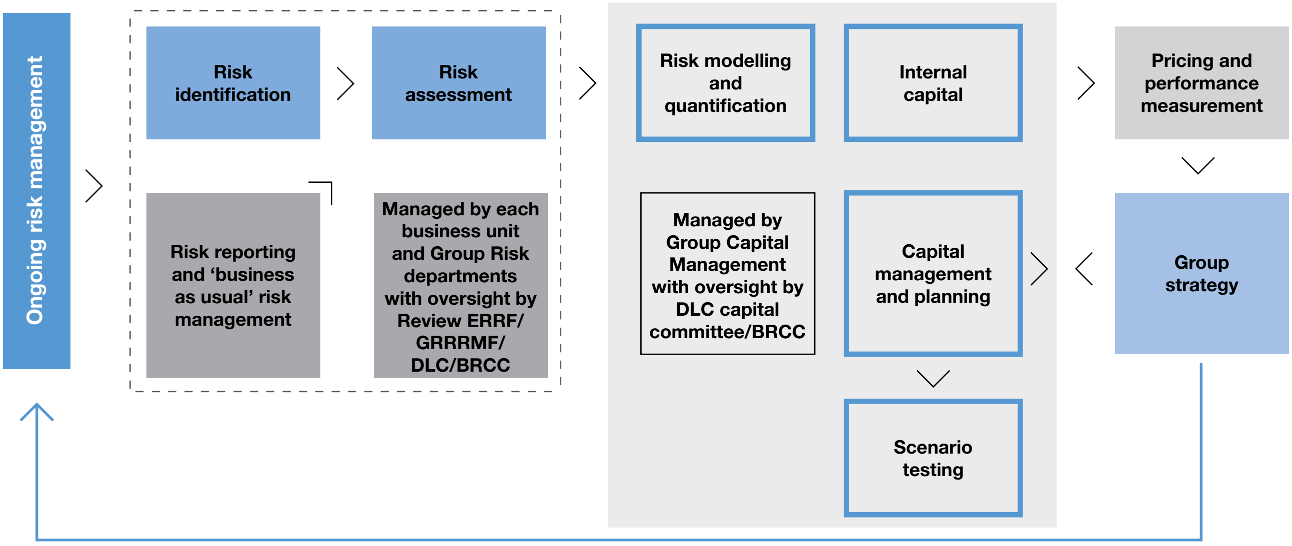
A capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium-term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the IBL board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed regularly, with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the Limited and DLC Capital Committees after research and consultation with relevant internal experts. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Risk management framework

The (simplified) integration of risk and capital management



Our capital plans are designed to allow senior management and the IBL board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the Investec Limited and DLC Capital Committees and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the IBL board, for consideration of the appropriate response.

Pillar 3 disclosure requirements

The Basel III framework is structured around three 'pillars' namely Pillar I minimum capital requirements, Pillar 2 supervisory review process and Pillar 3 market discipline. Pillar 3 aims to complement the other two pillars, by developing a set of disclosure requirements which will allow market participants to gauge the capital adequacy of a firm. The Pillar 3 disclosures for the 'silo' entity holding companies and its significant banking subsidiaries on a consolidated basis, will be available on the Investec group website.

Capital disclosures

The composition of our regulatory capital under a Basel III basis is provided in the table below.

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 225 to 230 of the 2020 Investec Bank Limited group and company annual financial statements.

Capital structure and capital adequacy

	FIRB	Pro forma FIRB*	Standardised
R'million	**31 March 2020^**	31 March 2019^	31 March 2019^
Shareholders' equity	**39 754**	**39 770**	**39 770**
Shareholders' equity per balance sheet	41 288	41 304	41 304
Perpetual preference share capital and share premium	(1 534)	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	**1 518**	**896**	**1 122**
Prudential valuation adjustment	(6)	(9)	(9)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(26)	(26)	(26)
Cash flow hedging reserve	1 550	931	931
Adjustment under IFRS 9 transitional arrangement	–	–	226
Deductions	**(2 721)**	**(3 426)**	**(2 741)**
Goodwill and intangible assets net of deferred tax	(496)	(588)	(588)
Investment in financial entity	(1 596)	(2 236)	(2 153)
Shortfall of eligible provisions compared to expected loss	(629)	(602)	–
Common equity tier 1 capital	**38 551**	**37 240**	**38 151**
Additional tier 1 capital	**751**	**920**	**920**
Additional tier 1 instruments	1 994	1 994	1 994
Phase out of non-qualifying additional tier 1 instruments	(1 227)	(1 074)	(1 074)
Investment in capital of financial entities above 10% threshold	(16)	–	–
Tier 1 capital	**39 302**	**38 160**	**39 071**
Tier 2 capital	**12 905**	**14 401**	**14 795**
Collective impairment allowances	895	483	877
Tier 2 instruments	12 037	13 918	13 918
Investment in capital of financial entities above 10% threshold	(27)	–	–
Total regulatory capital	**52 207**	**52 561**	**53 866**
Risk-weighted assets	**319 090**	**297 506**	**340 315**
Capital ratios			
Common equity tier 1 ratio	12.1%	12.5%	11.2%
Tier 1 ratio	12.3%	12.8%	11.5%
Total capital adequacy ratio	16.4%	17.7%	15.8%

* *We received approval to adopt the FIRB approach, effective 1 April 2019. We therefore also presented numbers on a pro forma basis for 31 March 2019.*
^ *IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, IBL's common equity tier 1 ratio would be 15bps lower (31 March 2019: 14bps lower).*

Capital management and allocation (continued)

Capital requirements

R'million	FIRB 31 March 2020	Pro forma FIRB* 31 March 2019	Standardised 31 March 2019
Capital requirements	**36 695**	**34 301**	**39 237**
Credit risk	30 653	28 546	33 341
Equity risk	1 726	1 863	1 863
Counterparty credit risk	1 016	600	732
Credit valuation adjustment risk	273	382	391
Market risk	478	381	381
Operational risk	2 549	2 529	2 529
Risk weighted assets	**319 090**	**297 506**	**340 315**
Credit risk	266 552	247 584	289 168
Equity risk	15 010	16 159	16 159
Counterparty credit risk	8 837	5 206	6 349
Credit valuation adjustment risk	2 371	3 310	3 392
Market risk	4 158	3 308	3 308
Operational risk	22 162	21 939	21 939

Leverage

R'million	FIRB 31 March 2020	Pro forma FIRB* 31 March 2019	Standardised 31 March 2019
Exposure measure	571 144	504 383	505 070
Tier 1 capital	39 302	38 160	39 071
Leverage ratio – current**	**6.9%**	**7.6%**	**7.7%**
Tier 1 capital 'fully loaded'^^	38 995	37 699	38 364
Leverage ratio – 'fully loaded'^^**	**6.8%**	**7.5%**	**7.6%**

* *We received approval to adopt the FIRB approach, effective 1 April 2019. We therefore also presented numbers on a pro forma basis for 31 March 2019.*
** *The leverage ratios are calculated on an end-quarter basis.*
^^ *The key difference between the 'reported' basis at 31 March 2020 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African PA regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

Movement in total regulatory capital

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

R'million	31 March 2020	31 March 2019
Opening common equity tier 1 capital	**38 151**	**34 829**
New capital issue	899	–
Dividends	(1 236)	(1 022)
Profit after tax	3 090	4 963
IFRS 9 adjustments	–	(894)
Movement in other comprehensive income	(2 502)	299
Goodwill and intangible assets (deduction net of related tax liability)	92	(5)
Investment in financial entity	557	(41)
Shortfall of eligible provisions compared to expected loss	(629)	–
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(1)	(25)
IFRS 9 transitional arrangements	(225)	225
Other, including regulatory adjustments and transitional arrangements	355	(178)
Closing common equity tier 1 capital	**38 551**	**38 151**
Opening additional tier 1 capital	**920**	**963**
New additional tier 1 capital issues	–	110
Investment in capital of financial entities above 10% threshold	(16)	–
Other, including regulatory adjustments and transitional arrangements	(153)	(153)
Closing additional tier 1 capital	**751**	**920**
Closing tier 1 capital	**39 302**	**39 071**
Opening tier 2 capital	**14 795**	**14 009**
New tier 2 capital issues	–	849
Redeemed capital	(3 175)	(1 210)
Collective impairment allowances	18	242
Investment in capital of financial entities above 10% threshold	(27)	–
Other, including regulatory adjustments and transitional arrangements	1 294	905
Closing tier 2 capital	**12 905**	**14 795**
Closing total regulatory capital	**52 207**	**53 866**

A summary of capital adequacy and leverage ratios

	FIRB	**Pro forma FIRB***	**Standardised**
R'million	**31 March 2020^**	31 March 2019^	31 March 2019^
Common equity tier 1 (as reported)	12.1%	12.5%	11.2%
Common equity tier 1 ('fully loaded')^^	12.1%	12.5%	11.1%
Tier 1 (as reported)	12.3%	12.8%	11.5%
Total capital ratio (as reported)	16.4%	17.7%	15.8%
Leverage ratio** – current	6.9%	7.6%	7.7%
Leverage ratio** – 'fully loaded'^^	6.8%	7.5%	7.6%

* *We received approval to adopt the FIRB approach, effective 1 April 2019. We therefore also presented numbers on a pro forma basis for 31 March 2019.*

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

^ *IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, IBL's common equity tier 1 ratio would be 15bps lower (31 March 2019: 14bps lower).*

^^ *The key difference between the 'reported' basis at 31 March 2020 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African PA regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022.*

4

REVISED QUANTITATIVE TABLES AND TEMPLATES

LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES
LI1: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENTS WITH REGULATORY RISK CATEGORIES

The table below provides a breakdown of how the amounts reported in the published financial statements correspond to the regulatory risk categories.

	a	b
At 31 March 2020 **R'million**	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**
Assets		
Cash and balances at central banks	36 656	36 656
Loans and advances to banks	18 050	18 053
Non-sovereign and non-bank cash placements	14 014	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	26 426	26 426
Sovereign debt Securities	64 358	64 358
Bank debt securities	12 265	12 265
Other debt securities	17 416	17 416
Derivative financial instruments	17 434	17 434
Securities arising from customer flows	3 178	3 178
Investment portfolio	5 801	7 328
Loans and advances to customers	276 754	277 489
Own originated loans and advances to customers securitised	7 192	7 192
Other loans and advances	242	242
Other securitised assets	416	416
Interests in associated undertakings	5 662	5 919
Deferred taxation assets	2 903	2 903
Other assets	6 157	6 259
Property and equipment	3 008	3 008
Investment properties	1	3 720
Goodwill	178	178
Intangible assets	318	318
Loans to groups companies	17 542	17 444
Non-current assets held for sale	–	285
	535 971	**542 501**
Liabilities		
Deposits by banks	37 277	39 367
Derivative financial instruments	22 097	22 180
Other trading liabilities	4 521	4 521
Repurchase agreements and cash collateral on securities lent	26 626	26 626
Customer accounts (deposits)	375 948	375 948
Debt securities in issue	3 258	4 268
Liabilities arising on securitisation of own originated loans and advances	1 699	1 699
Current taxation liabilities	315	317
Deferred taxation liabilities	47	49
Other liabilities	7 590	7 727
Loans from group companies	2 807	2 807
	482 185	**485 509**
Subordinated liabilities	12 037	12 037
	494 222	**497 546**

The difference between columns (a) and (b) arises from our investment in Investec Property Fund being recorded as a listed equity exposure in the financial statements whilst being proportionately consolidated under the regulatory scope of consolidation. There were no other differences noted between columns (a) and (b).

Carrying values reported in columns (a) and (b) correspond to values reported in the financial statements net of impairments and write-offs. Values in columns (c) to (g) are based on column (b), the sum of which may not be equal as some exposures are subject to regulatory capital charges in more than one risk category.

c	d	e	f	g
		Carrying values of items		
Subject to credit risk framework	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to the market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
36 656	–	–	40	–
18 053	–	–	2 327	–
14 014	–	–	–	–
–	26 426	–	3 731	–
64 358	–	–	–	–
11 578	–	659	–	28
13 938	–	3 461	–	16
–	17 434	–	19 260	–
3 178	–	–	2 932	–
7 328	–	–	–	–
277 489	–	–	–	–
4 773	–	2 419	–	–
242	–	–	67	–
416	–	–	–	–
4 322	–	–	–	1 596
2 903	–	–	–	–
6 259	–	–	1 447	–
3 008	–	–	–	–
3 720	–	–	–	–
–	–	–	–	178
–	–	–	–	318
17 444	–	–	15 897	–
285	–	–	–	–
489 964	**43 860**	**6 539**	**45 701**	**2 136**
–	–	–	–	–
–	22 180	–	35 674	–
–	–	–	4 521	–
–	26 626	–	3 175	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	2 159	–
–	**48 806**	**–**	**45 529**	**–**
–	**–**	**–**	**–**	**–**
–	**48 806**	**–**	**45 529**	**–**

Exposures subject to the counterparty credit risk (CCR) framework in column (d) include exposures in the banking and trading books in line with regulatory requirements. CCR exposures in the trading book also considered for market risk requirements and are included in both columns (d) and (f). All exposures in our trading book were disclosed as being subject to the market risk framework.

Intangible assets and goodwill are excluded from regulatory capital.

LI1: DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENTS WITH REGULATORY RISK CATEGORIES

(continued)

	a	b
At 31 March 2019 R'million	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation
Assets		
Cash and balances at central banks	10 290	10 290
Loans and advances to banks	19 903	19 939
Non-sovereign and non-bank cash placements	12 192	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	18 552
Sovereign debt Securities	60 893	60 893
Bank debt securities	12 526	12 526
Other debt securities	13 553	13 553
Derivative financial instruments	7 700	7 700
Securities arising from customer flows	5 059	5 059
Investment portfolio	7 664	7 664
Loans and advances to customers	261 737	261 802
Own originated loans and advances to customers securitised	7 667	7 667
Other loans and advances	329	329
Other securitised assets	232	232
Interests in associated undertakings	6 251	6 251
Deferred taxation assets	1 514	1 514
Other assets	8 237	8 315
Property and equipment	2 563	2 563
Investment properties	1	4 134
Goodwill	171	171
Intangible assets	418	418
Loans to groups companies	18 151	18 151
	475 603	**479 915**
Liabilities		
Deposits by banks	30 041	30 446
Derivative financial instruments	11 097	11 097
Other trading liabilities	4 468	4 468
Repurchase agreements and cash collateral on securities lent	15 234	15 234
Customer accounts (deposits)	341 710	341 710
Debt securities in issue	6 512	7 889
Liabilities arising on securitisation of own originated loans and advances	1 720	1 720
Current taxation liabilities	542	545
Deferred taxation liabilities	78	82
Other liabilities	6 263	6 373
Loans from group companies and subsidiaries	2 260	2 260
	419 925	**421 824**
Subordinated liabilities	13 918	13 918
	433 843	**435 742**

c	d	e	f	g
		Carrying values of items		
Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
10 290	–	–	40	–
19 939	–	–	1 772	–
12 192	–	–	–	–
2 174	16 378	–	8 228	–
60 893	–	–	–	–
11 958	–	568	–	–
9 873	–	3 680	–	–
–	7 700	–	8 039	–
5 059	–	–	5 059	–
7 664	–	–	–	–
261 802	–	–	–	–
4 187	–	3 480	–	–
329	–	–	109	–
–	–	–	–	–
6 251	–	–	–	–
1 514	–	–	–	–
8 315	–	–	855	–
2 563	–	–	–	–
4 134	–	–	–	–
–	–	–	–	171
–	–	–	–	418
6 692	–	–	11 459	–
435 829	**24 078**	**7 728**	**35 561**	**589**
–	–	–	–	–
–	11 097	–	17 824	–
–	–	–	4 468	–
–	15 234	–	7 742	–
–	–	–	–	–
–	–	–	2 856	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	1 693	–
–	–	–	–	–
–	**26 331**	**–**	**34 583**	**–**
–	**–**	**–**	**–**	**–**
–	**26 331**	**–**	**34 583**	**–**

LI2: MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

The table below reports the main sources of differences between the financial statements carrying value amounts and the exposure amounts used for regulatory purposes.

		b	c	d	e
		Items subject to:			
At 31 March 2020 **R'million**		**Credit risk framework**	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**489 964**	**6 539**	**43 860**	**45 701**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	–	–	(48 806)	(45 529)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	**489 964**	**6 539**	**(4 946)**	**172**
4	Less: Differences in valuations	14 874	–	–	–
5	Less: Differences due to consideration of provisions	3 419	–	–	–
6	**On–balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**471 671**	**6 539**	**(4 946)**	**172**
7	Plus: Off–balance sheet amount before CCF and CRM	97 437	–	–	–
8	**Exposure amounts considered for regulatory purposes**	**569 108**	**6 539**	**(4 946)**	**172**

		b	c	d	e
		Items subject to:			
At 31 March 2019 **R'million**		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**435 829**	**7 728**	**24 078**	**35 561**
2	Liabilities carrying value amount of exposures under scope of regulatory consolidation	–	–	(26 331)	(34 583)
3	**Net carrying value amount of exposures under scope of regulatory consolidation**	435 829	7 728	(2 253)	978
4	Less: Differences in valuations	9 153	3 480	–	–
5	Less: Differences due to consideration of provisions	2 753	–	–	–
6	**On–balance sheet amount under regulatory scope of consolidation before CCF and CRM**	**423 923**	**4 248**	**(2 253)**	**978**
7	Plus: Off–balance sheet amount before CCF and CRM	88 245	–	–	–
8	**Total exposure considered for regulatory purposes**	**512 168**	**4 248**	**(2 253)**	**978**

Column (a) was excluded above as it does not represent a value meaningful to the bank's assessment of its exposure to risk.

Differences in valuations for credit risk exposures relate to certain exposures being calculated on a daily average balance basis compared to a closing day balance in the financial statements as well as variances in terms of accounting netting compared to the grossing up of exposures for regulatory purposes.

Carrying values of exposures in the financial statements as per LI1 are reported net of impairments whereas the regulatory exposure amounts are considered gross of impairments. The provision amount of R3.4 billion consists of both the specific and portfolio impairment values.

The off–balance sheet exposure of R97.4 billion is the regulatory exposure before CRM and CCF.

The variance between the off–balance sheet exposure in CR1 of R78 billion and the regulatory exposure pre CRM and CCF relate to the exclusion of revocable facilities.

Columns (d) and (e) row 8 represents counterparty credit risk and market risk values net of assets and liabilities as measured under the accounting framework. The regulatory framework to measure counterparty credit risk exposures includes potential future exposure and a market risk value at risk (VaR) number and is therefore not comparable, although the accounting values form the basis for consideration into these regulatory frameworks.

The following section provides an overview of the key prudential regulatory metrics covering Investec Bank Limited group's available capital and ratios, risk-weighted assets, leverage ratio, liquidity coverage ratio and Net Stable Funding Ratio of the group's performance and trends over time.

									Pro-forma IRB
			a	b	c	d	e	f
	R'million		**31 March 2020**	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 March 2019
Available capital (amounts)								
1	Common Equity Tier 1 (CET1)		38 551	39 230	39 509	38 177	38 151	37 240
1a	Fully loaded ECL accounting model	N3	38 551	39 230	39 509	38 177	37 904	37 240
2	Tier 1		39 302	40 150	40 429	39 097	39 071	38 160
2a	Fully loaded ECL accounting model Tier 1		38 995	39 690	39 969	38 637	38 364	37 699
3	Total capital		52 207	53 510	53 830	53 785	53 866	52 561
3a	Fully loaded ECL accounting model total capital		51 900	53 050	53 370	51 575	51 576	50 351
Risk-weighted assets (amounts)								
4	Total risk-weighted assets (RWA)		319 090	309 983	303 158	293 443	340 315	297 506
Risk-based capital ratios as a percentage of RWA								
5	Common Equity Tier 1 (%)		12.1	12.7	13.0	13.0	11.2	12.5
5a	Fully loaded ECL accounting model Common Equity Tier 1		12.1	12.7	13.0	13.0	11.1	12.5
6	Tier 1 ratio (%)		12.3	13.0	13.3	13.3	11.5	12.8
6a	Fully loaded ECL accounting model Tier 1 (%)		12.2	12.8	13.2	13.2	11.3	12.7
7	Total capital ratio (%)		16.4	17.3	17.8	18.3	15.8	17.7
7a	Fully loaded ECL accounting model total capital ratio (%)		16.3	17.1	17.6	17.6	15.2	16.9
Additional CET1 buffer requirements as a percentage of RWA								
8	Capital conservation buffer requirement (2.5% from 2019) (%)		2.5	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)		–	0.0354	0.0100	0.0293	0.0295	0.0295
10	Bank G-SIB and/or D_SIB additional requirements (%)	N1	–	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)		2.5	2.5	2.5	2.5	2.5	2.5
12	CET1 available after meeting the bank's minimum capital requirements) (%)	N1	4.6	5.1	5.5	5.5	3.7	5.0
Basel III leverage ratio								
13	Total Basel III leverage ratio exposure measure		571 144	516 941	518 964	506 343	505 070	504 383
14	Basel III leverage ratio (%) (row 2.row 13)		6.9	7.8	7.8	7.7	7.7	7.6
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a/ row 13)		6.8	7.7	7.7	7.6	7.6	7.5
Liquidity coverage ratio								
15	Total HQLA		85 606	90 712	92 284	96 749	82 331	82 331
16	Total net cash flow – outflow		60 149	57 921	65 143	65 788	57 018	57 018
17	LCR ratio (%)	N2	142.6	157.2	142.1	147.4	144.6	144.6
Net stable funding ratio								
18	Total available stable funding		347 926	319 262	319 557	300 812	315 194	315 194
19	Total required stable funding		296 512	279 267	275 343	266 831	269 824	269 824
20	NSFR ratio		117.3	114.3	116.1	114.0	116.8	116.8

We had approval to adopt the Foundation Internal Rating (FIRB) approach, effective 1 April 2019. We therefore also presented numbers on a pro-forma basis for 31 March 2019. Conversion to the Foundation Internal Ratings Based (FIRB) measurement of credit capital resulted in a 1.3% uplift to Investec Bank Limited's common equity tier (CET1) ratio, effective 1 April 2019. The bank's application for conversion to the Advanced Internal Ratings Based (AIRB) approach is under review by the South African PA and if successful is expected to result in a circa 2% uplift to the CET1 ratio

Investec Bank Limited's CET1 ratio includes a reduction of 51bps in the current year associated with our High Quality Liquid Assets and credit investment portfolios held at fair value through equity. This was a consequence of the sudden movement in credit spreads in March 2020, impacting valuations at 31 March 2020. More than half of this impact reversed post year end. In South Africa, on 6 April 2020, the South African Prudential Authority (South African PA) reduced the Pillar IIA capital requirement by 1% (0.5% in CET1), thereby increasing our surplus to regulatory requirements

Capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited group common equity tier 1 ratio would be 15bps lower and total capital adequacy ratio would be 16bps lower.

Investec have always held capital in excess of regulatory requirements and continue to remain well capitalised. Accordingly, the Investec group targets a minimum CET1 capital ratio of above 10%, a tier 1 capital ratio of above 11% and a total capital ratio target in the range of 14% to 17%.

Investec targets a leverage ratio above 6%.

Notes:

N1: Minimum requirements are disclosed excluding any DSIB or Pillar 2B requirements as specified in the Banks Act Circular 6 of 2016.

N2: Refer to the LIQ1: Liquidity Coverage ratio template and commentary on pages 87 to 88 of this report.

N3: The key difference between the 'reported' basis at 31 March 2020 and the 'fully loaded' basis primarily relates to capital instruments that previously qualified as regular capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be registered on a reducing basis in the 'reported' figures until 2022. The fully loaded ratio and capital amounts throughout out the KM1 template assumes full adoption of IFRS 9 and is based on Basel III capital requirements as fully phased in by 2022.

The following section provide an overview of total RWA forming the denominator of the risk-based under Pillar 1 capital requirements. Further breakdowns of RWA are presented in subsequent parts.

			a	b	c	d	e
							Pro-forma IRB
			Risk-weighted assets		Minimum capital requirements	Risk-weighted assets	Risk-weighted assets
R'million		Notes	31 March 2020	31 December 2019	31 March 2020	31 March 2019	31 March 2019
1	**Credit risk (excluding counterparty credit risk) (CCR)**	N1	**247 671**	**241 388**	**28 482**	**272 547**	**231 902**
2	Of which standardised approach (SA)		92 391	84 619	10 625	272 547	88 983
3	Of which foundation internal rating-based (F-IRB) approach		134 424	136 527	15 459	–	123 209
4	Of which supervisory slotting approach		5 724	5 006	658	–	5 385
5	Of which internal rating-based (A-IRB) approach		15 132	15 236	1 740	–	14 325
6	**Counterparty credit risk**	N2	**8 837**	**6 351**	**1 016**	**6 349**	**5 206**
7	Of which standardised approach for counterparty credit risk (CEM-CCR)		8 837	6 351	1 016	6 349	5 206
8	Of which internal model method (IMM)		–	–	–	–	–
9	Of which: other CCR		–	–	–	–	–
10	**Credit valuation adjustment (CVA)**		**2 371**	**4 041**	**273**	**3 392**	**3 310**
11	**Equity positions in banking book under market-based approach**	N3	**15 010**	**16 218**	**1 726**	**16 159**	**16 159**
12	Equity investments in funds – look-through approach		–	–	–	–	–
13	Equity investments in funds – mandate-based approach		–	–	–	–	–
14	Equity investments in funds – fall-back approach		–	–	–	–	–
15	Settlement risk		–	–	–	–	–
16	**Securitisation exposures in banking book**		**2 427**	**2 269**	279	**3 053**	**2 102**
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)		418	342	48	–	1 771
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)		–	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)		2 009	1 927	231	3 053	331
20	**Market risk**	N7	**4 158**	**3 198**	**479**	**3 308**	**3 308**
21	Of which standardised approach (SA)		466	407	54	167	167
22	Of which internal model approaches (IMA)		3 692	2 791	425	3 141	3 141
23	Capital charge for switch between trading book and banking book		–	–	–	–	–
24	**Operational risk**	N4	**22 162**	**21 863**	**2 549**	**21 939**	**21 939**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	N5	16 454	14 655	1 892	13 568	13 580
26	Floor adjustment	N6	–	–	–	–	–
27	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)**		**319 090**	**309 983**	**36 696**	**340 315**	**297 506**

The commentary for the movement in risk-weighted assets (RWA) below is based on comparisons between 31 March 2019 and 31 March 2020.

The minimum capital requirements in column (c) are based on the SARB minimum capital requirements of 11.50% and excludes Investec's domestic significant important bank (DSIB) and Pillar 2B add-on in line with the Banks Act Circular 6 of 2016.

Risk-weighted assets (RWA) are calculated according to the Basel framework, including the 1.06 scaling factor for credit and equity exposures subject to the internal ratings-based approach (IRB), and as reported in accordance with the subsequent parts of this standard. Where the regulatory framework does not refer to RWA but directly to capital charges (e.g. for market risk and operational risk), RWA is derived by multiplying the capital charge by 12.5.

Movement in risk-weighted asset

Investec Bank Limited applied the FIRB approach from 1 April 2019, therefore comparison between March 2019 and March 2020 is based on FIRB numbers only. Total RWA increased by R21.6 billion (7.3%) over the period, with the reasons identified in the categories below.

Notes:

N1: Credit risk weighted assets increased by R15.8 billion (6.8%) from March 2019 to March 2020, mainly attributable to book growth in the Private Bank and Corporate Institutional Bank. A flow statement, explaining the variations in the credit risk-weighted assets determined under an IRB approach, is provided in table CR8.

N2: The group applied the current exposure method (CEM) to calculate required capital for over the counter (OTC) exposures and the standardised approach (TSA) for security financing transactions (SFT). Counterparty credit risk RWA is the sum of OTC, SFT, regulatory Credit Valuation Adjustment (CVA), exposures to central counterparties (CCP's) and any default fund contributions, of which total increased by R2.7 billion (31.6%) from March 2019 to March 2020. Our exposure to counterparty credit risk is marginal at 3.5% of total RWA.

N3: Equity risk decreased by R1.2 billion. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%. The impact of this is proportionately much larger movement in RWA than the associated balance sheet equity value.

N4: Operational risk is calculated using the standardised approach and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

N5: The risk-weighted assets in this line item relate to investments in significant financial entities and deferred tax assets below the 10% of CET1 threshold.

N6: The Bank did not have any additional add-on to risk weighted assets as a result of the capital floor calculation specified in Directive 3 of 2013.

N7: Market risk RWAs are calculated using the Value at Risk (VaR) approach. Trading desks took on minimal levels of directional risk while primarily focusing on client facilitation under volatile market conditions.

LR1: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE (JANUARY 2014 STANDARD)

The purpose of the LR1 table below is to reconcile the total assets in the published financial statements to the leverage ratio exposure measure.

		a	a
31 March 2020 **R'million**		**31 March 2020**	31 March 2019
1	Total consolidated assets as per published financial statements^	537 874	475 603
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4	Adjustments for derivative financial instruments	(6 651)	(1 688)
5	Adjustments for securities financing transactions (i.e. repos and similar secured lending)	1 032	(1 377)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	43 537	35 282
7	Other adjustments	(4 648)	(2 750)
8	**Leverage ratio exposure measure**	**571 144**	**505 070**

^ *Adjusted for impairments*

The increase of R66.1 billion in the leverage exposure measure was mainly attributed to On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs) of R44 billion, of which cash deposits held with the South African PA represented R26.3 billion, and the remainder of the increase attributed to regulatory credit risk exposure for derivatives, repos and off balance sheet items .Refer to LR2 for a detailed breakdown of the components of the leverage ratio denominator.

LR2: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE (JANUARY 2014 STANDARD)

The purpose of the LR2 table below is to provide a detailed breakdown of the components of the leverage ratio denominator.

		a	b	a
R'million		**31 March 2020**	31 December 2019	31 March 2019
On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	494 014	464 363	449 716
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4 648)	(5 057)	(4 531)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**489 366**	**459 306**	**445 185**
Derivative exposures		–		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	9 788	7 434	5 275
5	Add-on amounts for PFE associated with all derivatives transactions	3 712	3 691	3 128
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	–	–
8	(Exempted CCP leg of client-cleared trade exposures)	(2 717)	(1 461)	(2 391)
9	Adjusted effective notional amount of written credit derivatives	–	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**10 783**	**9 664**	**6 012**
Securities financing transaction exposures		–		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	24 781	6 007	16 702
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–	–
14	CCR exposure for SFT assets	2 677	1 458	1 889
15	Agent transaction exposures	–	–	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**27 458**	**7 465**	**18 591**
Other off-balance sheet exposures		–		
17	Off-balance sheet exposure at gross notional amount	97 437	93 780	88 245
18	(Adjustments for conversion to credit equivalent amounts)	(53 900)	(53 274)	(52 963)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**43 537**	**40 506**	**35 282**
Capital and total exposures		–		
20	Tier 1 capital	39 302	40 150	39 071
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**571 144**	**516 941**	**505 070**
Leverage ratio		–		
22	**Basel III leverage ratio**	**6.9**	**7.8**	**7.7**

The flight to cash globally had a particularly severe effect on the South African bond markets. Foreign investors sold a net R60 billion of South African Government Bonds in March 2020 which led to a sharp spike in yields, which in turn put severe strain on many DSIB banks.

In addition:

- DSIB's were hit by a wave of term repo funding requests and term NCD buyback orders.
- Call deposit balances soared.
- Negative Marked-to-market (MtM) on liquid asset portfolios is been taken through the equity line and has put capital ratios under strain (Primarily on supply side of capital where banks account for the liquid asset holding on an MtM basis).

Together, this put DSIB's in a weaker position to support market liquidity and has put significant strain on banks leverage ratios in South Africa.

Investec Bank Limited group's current leverage ratio is 6.9% ahead of the minimum 6% target level. We maintain an Investec group target common equity tier 1 ratio in excess of 10% which is currently considered appropriate for businesses given our sound leverage ratios and significant capital light revenues.

LIQ1: LIQUIDITY COVERAGE RATIO (LCR)

4

The purpose of the LIQ1 table below is to present the breakdown of a bank's cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the LCR standard.

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

		a	b
At 31 March 2020 R'million		**Total unweighted value (average)**	**Total weighted value (average)**
High-quality liquid assets			**85 606**
1	Total HQLA		
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**80 746**	**8 075**
3	Stable deposits	–	–
4	Less stable deposits	80 746	8 075
5	**Unsecured wholesale funding, of which:**	**111 796**	**81 128**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	111 134	80 466
8	Unsecured debt	662	662
9	**Secured wholesale funding**		**184**
10	**Additional requirements, of which:**	**68 354**	**9 899**
11	Outflows related to derivative exposures and other collateral requirements	11 536	3 633
12	Outflows related to loss of funding on debt products	86	86
13	Credit and liquidity facilities	56 732	6 180
14	**Other contractual funding obligations**	**367**	**367**
15	**Other contingent funding obligations**	**86 265**	**4 545**
16	**Total cash outflows**		**104 198**
Cash inflows			
17	Secured lending (e.g. reverse repos)	13 538	3 948
18	Inflows from fully performing exposures	40 517	36 367
19	Other cash inflows	3 978	3 733
20	**Total cash inflows**	**58 033**	**44 048**
		Total adjusted value	
21	Total HQLA		85 606
22	Total net cash outflows		60 150
23	Liquidity Coverage Ratio (%)		**142.6**

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

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 January 2020 to 31 March 2020 for Investec Bank Limited (IBL) bank solo. Investec Bank Limited consolidated group values use daily values for IBL bank solo, while those for other group entities use the average of January, February and March 2020 month-end values.

The minimum LCR requirement was 100%, for both IBL bank solo and IBL consolidated group. The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 100% from 1 January 2020

At 31 March 2019 R'million		a Total unweighted value (average)	b Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		82 331
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**74 039**	**7 404**
3	Stable deposits	–	–
4	Less stable deposits	74 039	7 404
5	**Unsecured wholesale funding, of which:**	**103 023**	**74 974**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	102 198	74 149
8	Unsecured debt	825	825
9	**Secured wholesale funding**		**1 425**
10	**Additional requirements, of which:**	**67 396**	**11 265**
11	Outflows related to derivative exposures and other collateral requirements	11 872	5 005
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	55 524	6 260
14	**Other contractual funding obligations**	**124**	**124**
15	**Other contingent funding obligations**	**84 976**	**4 743**
16	**Total cash outflows**		**99 935**
Cash inflows			
17	Secured lending (e.g. reverse repos)	14 051	3 155
18	Inflows from fully performing exposures	42 179	37 389
19	Other cash inflows	2 578	2 374
20	**Total cash inflows**	**58 808**	**42 918**
		Total adjusted value	
21	Total HQLA		82 331
22	Total net cash outflows		57 018
23	Liquidity Coverage Ratio (%)		**144.6**

The main drivers of the LCR results and the evolution of the contribution of inputs to the LCR's calculation over time:

- The average LCR decreased by 2% remaining fully compliant with regulatory requirements, and within the target range set by the Board.
- The structure and nature of deposits inside the 30 day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30 day contractual bucket. In turn these deposit characteristics determine the targeted level of high quality liquid assets (HQLA) required to be held as a counterbalance to the modelled stressed outflows.
- Only banking and / or deposit-taking entities are included and the group data represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined HQLA and stressed cash inflows and outflows. With the ability to transfer cash surpluses between group entities, the consolidated group LCR is higher than IBL solo's.

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo.
- On average, Level 2 assets contributed 5% of total HQLA. As of 1 December 2017, we no longer make use of the SARB's committed liquidity facility (CLF).
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

LIQ2: NET STABLE FUNDING RATIO (NSFR)

The purpose of the CR1 table below is to provide a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.

		a	b	c	d	e
		Unweighted value by residual maturity				
At 31 March 2020 (in currency amount) R'million		**No maturity**	**<6 months**	**6 months to <1 year**	**>1 year**	**Weighted value**
Available stable funding (ASF) item						
1	**Capital:**	41 214	–	–	13 841	55 055
2	Regulatory capital	41 214	–	–	13 841	55 055
3	Other capital instruments	–	–	–	–	–
4	**Retail deposits and deposits from small business customers:**	90 854	7 362	3 527	1 646	93 214
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	90 854	7 362	3 527	1 646	93 214
7	**Wholesale funding**	113 444	114 409	39 679	90 686	192 702
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	113 444	114 409	39 679	90 686	192 702
10	**Liabilities with matching interdependent assets**	–	–	–	–	–
11	**Other liabilities:**	11 836	265	610	24 489	6 955
12	NSFR derivative liabilities				24 489	
13	All other liabilities and equity not included in the above categories	11 836	265	610	–	6 955
14	**Total ASF**					**347 926**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					6 523
16	**Deposits held at other financial institutions for operational purposes**	–	–	–	–	–
17	**Performing loans and securities**	30 790	88 440	31 543	243 477	255 939
18	Performing loans to financial institutions secured by Level 1 HQLA	–	15 853	–	2	1 588
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	14 083	33 227	5 052	30 691	40 441
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	11 553	37 199	22 880	127 428	147 361
21	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	–	–	2 207	1 434
22	Performing residential mortgages, of which:	–	558	691	67 090	44 234
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	558	691	67 090	44 234
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5 154	1 603	2 920	18 266	22 315
25	**Assets with matching interdependent liabilities**	–	–	–	–	–
26	**Other assets:**	24 341	430	17	59 304	29 660
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2 194	1 865
29	NSFR derivative assets				18 221	–
30	NSFR derivative liabilities before deduction of variation margin posted				37 938	3 794
31	All other assets not included in the above categories	24 341	430	17	951	24 001
32	**Off-balance sheet items**		171 010	–	–	4 390
33	**Total RSF**					**296 512**
34	**Net Stable Funding Ratio (%)**					**117.3**

		a	b	c	d	e
		Unweighted value by residual maturity				
At 31 March 2019 (in currency amount) R'million		**No maturity**	**<6 months**	**6 months to <1 year**	**>1 year**	**Weighted value**
Available stable funding (ASF) item						
1	**Capital:**	41 879	–	–	12 768	54 647
2	Regulatory capital	41 879	–	–	12 768	54 647
3	Other capital instruments	–	–	–	–	–
4	**Retail deposits and deposits from small business customers:**	80 216	7 836	3 755	1 654	84 280
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	80 216	7 836	3 755	1 654	84 280
7	**Wholesale funding**	163 177	103 806	990	39 687	169 660
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	163 177	103 806	990	39 687	169 660
10	**Liabilities with matching interdependent assets**	–	–	–	–	–
11	**Other liabilities:**	8 964	320	–	12 094	6 607
12	NSFR derivative liabilities				11 998	
13	All other liabilities and equity not included in the above categories	8 964	320	–	96	6 607
14	**Total ASF**					**315 194**
Required stable funding (RSF) item						
15	**Total NSFR high-quality liquid assets (HQLA)**					4 790
16	**Deposits held at other financial institutions for operational purposes**	–	–	–	–	–
17	**Performing loans and securities**	33 044	83 131	22 751	223 074	238 079
18	Performing loans to financial institutions secured by Level 1 HQLA	–	12 515	–	52	1 303
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	14 161	29 031	3 751	29 976	39 240
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	12 913	38 576	17 784	117 084	137 570
21	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	–	–	3 688	2 397
22	Performing residential mortgages, of which:	–	775	483	60 514	39 963
23	With a risk weight of less than or equal to 35% under Basel II standardised approach for credit risk	–	775	483	60 514	39 963
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5 970	2 234	733	15 448	20 003
25	**Assets with matching interdependent liabilities**	–	–	–	–	–
26	**Other assets:**	17 655	1 753	192	30 368	22 771
27	Physical traded commodities, including gold	1 693				1 439
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		–	–	1 105	939
29	NSFR derivative assets		–	–	9 522	–
30	NSFR derivative liabilities before deduction of variation margin posted		–	–	19 173	1 917
31	All other assets not included in the above categories	15 962	1 753	192	568	18 476
32	**Off-balance sheet items**		168 518	–	–	4 184
33	**Total RSF**					**269 824**
34	**Net Stable Funding Ratio (%)**					**116.8**

The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increasing its risk of failure and potentially lead to broader systemic risk.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by Directive 11/2015 and Directive 01/2018.

The values in the table are calculated as at 31 March 2020. The minimum NSFR requirement is 100%. This applies to both IBL bank solo and Investec Bank Limited consolidated group. The Bank of Mauritius does not currently require banks to comply with the NSFR standard.

The main drivers of the NSFR results and the evolution of the contribution of inputs to the NSFR's calculation over time:

- The asset class, customer type and residual maturity of deposits are the key drivers of available stable funding, in particular those from either retail and small business customers or with maturity longer than a year. Capital issued is also a significant contributor.
- The customer type and residual maturity of loans, as well as holdings in securities eligible as HQLA, are the key drivers of required stable funding. Lower weightings apply to mortgages, shorter-term loans and especially HQLA.
- Only banking and / or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined available and required stable funding. The consolidated group NSFR is higher than IBL solo's with the contribution of IBM's capital to available stable funding.

CR1: CREDIT QUALITY OF ASSETS

The purpose of the CR1 table below is to provide a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.

		a	b	c	d
		Gross carrying values of			
At 31 March 2020 R'million		**Defaulted exposures**	**Non-defaulted exposures**	**Allowances/ impairments^**	**Net values (a+b-c)**
1	Loans*	4 552	283 019	(3 384)	284 187
2	Debt Securities**	89	108 015	(100)	108 004
3	Off-balance sheet exposures^^	528	77 544	(65)	78 007
4	**Total**	**5 169**	**468 578**	**(3 549)**	**470 198**

		a	b	c	d
		Gross carrying values of			
At 31 March 2019 R'million		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments^	Net values (a+b-c)
1	Loans*	3 940	268 489	(2 696)	269 733
2	Debt Securities**	–	99 193	(56)	99 137
3	Off-balance sheet exposures^^	632	75 032	(38)	75 626
4	**Total**	**4 572**	**442 714**	**(2 790)**	**444 496**

* *Loans represent core loans and advances plus own originated and other loans and advances as reported in the total gross credit and counterparty exposure in the financial statements*

** *Debt securities are made up of non-sovereign and non-bank cash placements, sovereign debt securities, bank debt securities and other debt securities as reported in the total gross credit and counterparty exposure in the financial statements*

^ *Allowances/impairments include the total ECL for loans, debt securities and off-balance sheet items as reported in the financial statements*

^^ *Off-balance sheet exposures are reported gross of credit risk mitigation (CRM) and credit conversion factors (CCF) and exclude revocable commitments.*

Net values reported in CR1 column (d) above are reported as the carrying accounting values per the annual financial statements whereas values in table CR3 represent the exposure at default (EAD) measured for regulatory purposes.

The group applies a consistent definition to default for regulatory and accounting purposes.

CR2: CHANGES IN STOCK OF DEFAULTED LOANS AND DEBT SECURITIES

The purpose of the CR2 table below is to Identify the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

		a	a
R'million		**31 March 2020**	31 March 2019
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**3 940**	**3 002**
2	Loans and debt securities that have defaulted since the last reporting period	2 395	2 376
3	Returned to non-defaulted status	235	386
4	Amounts written off	869	523
5	Other changes	(679)	(529)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)**	**4 552**	**3 940**

The defaulted exposures line 6 column (a) of this report represents on-balance sheet defaulted loans and debt securities exposures, it therefore, differs from the total represented in the CR1 table line 4 column (a) due to off-balance sheet exposures.

CR3: CREDIT RISK MITIGATION (CRM) TECHNIQUES – OVERVIEW

The purpose of the CR3 table below is to disclose the extent of use of credit risk mitigation techniques.

	a	b	c	d	e	f	g
At 31 March 2020 R'million	**Exposures unsecured: carrying amount**	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1 Loans	197 190	110 993	108 638	21 874	21 874	–	–
2 Debt securities	81 784	2 000	2 000	8 605	8 605	–	–
Off-balance sheet	52 962	37 499	37 281	8 113	8 113	–	–
3 Total	**331 936**	**150 492**	**147 919**	**38 592**	**38 592**	**–**	**–**
4 Of which defaulted	2 540	847	847	190	190	–	–

	a	b	c	d	e	f	g
At 31 March 2019 R'million	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	209 219	104 752	94 319	5 976	4 781	–	–
2 Debt securities	84 795	11 368	3 873	301	296	–	–
Off-balance sheet	59 258	27 240	26 889	1 759	1 714	–	–
3 Total	**353 272**	**143 360**	**125 081**	**8 036**	**6 791**	**–**	**–**
4 Of which defaulted	1 653	915	815	30	12	–	–

The March 2019 exposures were reported solely on the Standardised Approach (TSA) whereas the table in March 2020 are reported as a combination of TSA and IRB exposures.

The table above include all Credit Risk Mitigation (CRM) techniques used to reduce capital requirements and disclose all secured and unsecured exposures, irrespective of whether the TSA or IRB approach is used for risk-weighted assets calculation.

Exposure values above represent the gross credit exposure, i.e. exposure gross of any credit conversion factors and eligible CRM, but net of allowances/specific impairments.

Exposures, not secured by either collateral or financial guarantees used to reduce capital requirements, are reported as unsecured.

The group does not make use of any unfunded credit derivative instruments for purposes of reducing capital requirements. We have credit-linked notes (CLNs) that serve as protection against credit exposures, however since these CLNs are fully funded, they function as cash collateral and are reported as such in the table.

CR4: STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

The table below illustrates the effect of eligible collateral (measured on the comprehensive approach) as defined in the standardised approach for credit risk.

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	At 31 March 2020 R'million	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Asset classes						
1	Sovereigns and their central banks	521	–	521	–	405	77.7%
2	Non-central government public sector entities	–	350	–	175	35	20.0%
3	Multilateral development banks	184	–	184	–	–	0.0%
4	Banks	9 992	565	9 000	283	4 396	47.4%
5	Securities firms	27	–	15	–	15	100.0%
6	Corporates	78 495	23 355	70 747	5 632	68 911	90.2%
7	Regulatory retail portfolios	275	250	130	30	120	75.0%
8	Secured by residential property	3 370	322	3 332	145	1 335	38.4%
9	Secured by commercial real estate	5 160	–	4 939	–	4 939	100.0%
10	Equity	–	–	–	–	–	0.0%
11	Past-due loans	2 899	39	1 418	5	1 657	116.4%
12	Higher-risk categories	–	–	–	–	–	0.0%
13	Other assets	46 984	–	46 984	–	10 578	22.5%
14	**Total**	**147 907**	**24 881**	**137 270**	**6 270**	**92 391**	**64.4%**

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	At 31 March 2019 R'million	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	Asset classes						
1	Sovereigns and their central banks	67 796	–	71 440	735	4 321	6.0%
2	Non-central government public sector entities	7 661	1 050	4 258	222	998	22.3%
3	Multilateral development banks	163	–	163	–	–	0.0%
4	Banks	21 967	442	20 136	293	9 006	44.1%
5	Securities firms	2	200	2	100	102	100.0%
6	Corporates	131 889	43 104	108 630	12 305	113 778	94.1%
7	Regulatory retail portfolios	6 979	6 932	6 510	1 609	6 089	75.0%
8	Secured by residential property	69 271	24 979	77 708	11 496	36 258	40.6%
9	Secured by commercial real estate	91 522	11 153	82 929	3 582	86 511	100.0%
10	Equity	4 257	–	4 257	–	16 159	379.6%
11	Past-due loans	3 662	385	2 073	30	2 156	102.5%
12	Higher-risk categories	–	–	–	–	–	0.0%
13	Other assets	18 754	–	18 754	–	26 895	143.4%
14	**Total**	**423 923**	**88 245**	**396 860**	**30 372**	**302 272**	**70.8%**

Exposures reported in March 2020 relate to the portion of the credit risk book remaining on the Standardised approach. All credit exposures in March 2019 were reported on the Standardised approach.

Columns (c) and (d) represent the substituted asset class as a result of eligible guarantees.

Past due assets are disclosed separately independent of asset class.

RWA density provides a synthetic metric on riskiness of each portfolio and is derived by dividing RWA in column (e) with the sum of columns (c) and (d).

Equity exposures in March 2019 are calculated based on the market-based approach (simple risk weight method) after the application of a 1.06 scaling factor as required by SARB. Equity exposures for March 2020 are reported in table CR10.

The on-balance sheet exposures in column (a) are reported gross of impairment, CCF and CRM. Off-balance sheet exposures in column (b) includes revocable facilities.

Credit exposure post-CCF and post-CRM is the amount to which risk-weighted assets are applied to.

Past due loans reported follows the same definition of default as applied in table CR1 but includes revocable facilities and average balances where relevant.

CREDIT RISK
CR5: STANDARDISED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

The purpose of the CR5 table below is to present the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardised approach). .

		a	b	c
At 31 March 2020 **R'million**		**0%**	**10%**	**20%**
	Asset classes			
1	Sovereigns and their central banks	–	–	–
2	Non-central government public sector entities (PSEs)	–	–	175
3	Multilateral development banks (MDBs)	183	–	–
4	Banks	16	–	4 546
5	Securities firms	–	–	–
6	Corporates	6 182	–	1 071
7	Regulatory retail portfolios	–	–	–
8	Secured by residential property	–	–	–
9	Secured by commercial real estate	–	–	–
10	Equity	–	–	–
11	Past-due loans	–	–	–
12	Higher risk categories	–	–	–
13	Other assets	36 389	–	–
14	**Total**	**42 770**	**–**	**5 792**

Exposures reported in March 2020 relate to the portion of the credit risk book remaining on the Standardised approach. All credit exposures in March 2019 were reported on the Standardised approach.

		a	b	c
At 31 March 2019 **R'million**		0%	10%	20%
	Risk weight			
	Asset classes			
1	Sovereigns and their central banks	67 829	–	–
2	Non-central government public sector entities (PSEs)	–	–	4 141
3	Multilateral development banks (MDBs)	163	–	–
4	Banks	6	–	12 992
5	Securities firms	–	–	–
6	Corporates	5 542	–	870
7	Regulatory retail portfolios	–	–	–
8	Secured by residential property	–	–	–
9	Secured by commercial real estate	–	–	–
10	Equity	–	–	–
11	Past-due loans	–	–	–
12	Higher risk categories	–	–	–
13	Other assets	–	–	–
14	**Total**	**73 540**	**–**	**18 003**

Exposure values reported in table CR5 reconcile to the aggregate exposure of columns (c) and (d) in table CR4 allocated across specified risk weight bands.

d	e	f	g	h	i	j
35%	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post CRM)**
–	234	–	288	–	–	522
–	–	–	–	–	–	175
–	–	–	–	–	–	183
–	2 469	–	2 252	–	–	9 283
–	–	–	15	–	–	15
–	–	–	69 126	–	–	76 379
–	–	160	–	–	–	160
3 224	–	186	67	–	–	3 477
–	–	–	4 939	–	–	4 939
–	–	–	–	–	–	–
–	73	–	808	542	–	1 423
–	–	–	–	–	–	–
–	–	–	10 595	–	–	46 984
3 224	**2 776**	**346**	**88 090**	**542**	**–**	**143 540**

d	e	f	g	h	i	j
35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post CRM)
–	207	–	3 982	157	–	72 175
–	339	–	–	–	–	4 480
–	–	–	–	–	–	163
–	2 124	–	5 228	78	–	20 429
–	–	–	102	–	–	102
–	2 738	–	111 786	–	–	120 935
–	–	8 119	–	–		8 119
80 069	–	3 603	5 532	–	–	89 204
–	–	–	86 511	–	–	86 511
–	–	–	–	–	4 257	4 257
–	525	–	942	636	–	2 103
–	–	–	–	–	–	–
–	–	–	13 327	–	5 427	18 754
80 069	**5 933**	**11 722**	**227 410**	**871**	**9 684**	**427 232**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE

The purpose of table CR6 below is to provide main parameters used for the calculation of capital requirements for IRB models. The purpose of disclosing these parameters is to enhance the transparency of banks' RWA calculations and the reliability of regulatory measures.

	a	b	c	d	e
31 March 2020					
PD Scale	**Original on–balance sheet gross exposure (R'm)**	**Off–balance sheet exposures pre CCF (R'm)**	**Average CCF (%)**	**EAD post CRM and post–CCF (R'm)**	**Average PD (%)**
Banks					
0.00 to <0.15	7 825	2 711	100.0%	10 536	0.051%
0.15 to <0.25	313	–	0.0%	313	0.226%
0.25 to <0.50	4 982	–	0.0%	4 982	0.453%
0.50 to <0.75	10	–	0.0%	10	0.640%
0.75 to <2.50	2	–	0.0%	2	1.082%
2.50 to <10.00	360	536	66.7%	717	2.560%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**13 492**	**3 247**	**94.5%**	**16 560**	**0.284%**
Corporate					
0.00 to <0.15	16 838	14 583	52.3%	24 462	0.074%
0.15 to <0.25	9 576	4 533	65.2%	12 530	0.200%
0.25 to <0.50	19 885	3 392	36.1%	21 109	0.417%
0.50 to <0.75	4 344	1 652	26.2%	4 776	0.640%
0.75 to <2.50	7 059	2 145	42.3%	7 966	1.350%
2.50 to <10.00	8 944	1 181	50.9%	9 545	3.508%
10.00 to <100.00	312	19	31.0%	318	24.622%
100.00 (Default)	657	118	70.5%	741	100.000%
Sub-total	**67 615**	**27 623**	**50.1%**	**81 447**	**1.748%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

** *EL represents the regulatory expected losses as calculated according to the Basel framework*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**	**EL (R'm)****	**Provisions (R'm)**
49	45.5%	2.5	2 877	27.3%	3	–
5	45.0%	2.5	156	49.7%	–	–
6	70.4%	2.5	7 210	144.7%	16	–
8	45.0%	2.5	10	106.7%	–	–
10	45.0%	2.5	2	101.4%	–	–
4	45.0%	2.5	1 042	145.3%	8	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
82	**53.0%**	**2.5**	**11 297**	**68.2%**	**27**	**–**
138	39.1%	2.5	5 321	21.8%	7	–
173	38.5%	2.5	4 819	38.5%	10	–
600	37.9%	2.5	11 835	56.1%	33	–
324	36.6%	2.5	3 127	65.5%	11	–
2 623	42.6%	2.5	7 580	95.2%	46	–
3 357	40.6%	2.5	11 481	120.3%	135	–
75	42.6%	2.5	620	195.2%	34	–
26	34.1%	2.5	3 221	434.8%	15	15
7 316	**39.0%**	**2.5**	**48 004**	**58.9%**	**291**	**15**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

	a	b	c	d	e
31 March 2020					
PD Scale	**Original on–balance sheet gross exposure (R'm)**	**Off–balance sheet exposures pre CCF (R'm)**	**Average CCF (%)**	**EAD post CRM and post–CCF (R'm)**	**Average PD (%)**
Public sector entities					
0.00 to <0.15	3 880	700	75.0%	4 405	0.040%
0.15 to <0.25	2 371	–	0.0%	2 371	0.226%
0.25 to <0.50	–	–	0.0%	–	0.000%
0.50 to <0.75	–	–	0.0%	–	0.000%
0.75 to <2.50	855	–	0.0%	855	0.905%
2.50 to <10.00	–	–	0.0%	–	0.000%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**7 106**	**700**	**75.0%**	**7 631**	**0.195%**
Retail – mortgages					
0.00 to <0.15	24 684	12 293	95.7%	36 453	0.055%
0.15 to <0.25	8 090	3 620	95.5%	11 550	0.195%
0.25 to <0.50	5 582	2 235	96.9%	7 747	0.382%
0.50 to <0.75	6 598	1 803	97.0%	8 346	0.640%
0.75 to <2.50	13 364	2 973	99.2%	16 315	1.330%
2.50 to <10.00	11 349	2 895	100.4%	14 255	3.995%
10.00 to <100.00	2 207	168	110.9%	2 393	15.965%
100.00 (Default)	931	85	122.4%	1 035	100.000%
Sub-total	**72 805**	**26 072**	**97.0%**	**98 094**	**2.375%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

** *EL represents the regulatory expected losses as calculated according to the Basel framework*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**	**EL (R'm)****	**Provisions (R'm)**
6	40.8%	2.5	713	16.2%	1	–
1	37.7%	2.5	987	41.7%	2	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
1	44.5%	2.5	798	93.3%	3	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
8	**40.3%**	**2.5**	**2 498**	**32.7%**	**6**	**–**
16 244	11.3%	4.9	633	1.7%	2	–
4 601	11.4%	4.8	557	4.8%	3	–
3 030	11.4%	4.8	618	8.0%	3	–
3 481	11.3%	4.9	944	11.3%	6	–
6 770	11.3%	4.7	3 007	18.4%	25	–
6 259	11.3%	4.7	4 871	34.2%	64	–
1 048	11.3%	4.5	1 448	60.5%	43	–
487	12.1%	4.7	203	19.6%	226	226
41 920	**11.3%**	**4.8**	**12 281**	**12.5%**	**372**	**226**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

	a	b	c	d	e
31 March 2020					
PD Scale	**Original on–balance sheet gross exposure (R'm)**	**Off–balance sheet exposures pre CCF (R'm)**	**Average CCF (%)**	**EAD post CRM and post–CCF (R'm)**	**Average PD (%)**
Retail – other					
0.00 to <0.15	1 943	391	60.0%	2 178	0.058%
0.15 to <0.25	436	74	69.1%	487	0.186%
0.25 to <0.50	343	88	61.7%	397	0.375%
0.50 to <0.75	394	55	51.8%	423	0.640%
0.75 to <2.50	680	85	58.2%	729	1.325%
2.50 to <10.00	526	43	75.4%	558	4.194%
10.00 to <100.00	66	5	114.9%	72	13.019%
100.00 (Default)	30	1	128.6%	31	100.000%
Sub-total	**4 418**	**742**	**61.6%**	**4 875**	**1.644%**
Retail – revolving credit					
0.00 to <0.15	98	2 569	92.7%	2 480	0.066%
0.15 to <0.25	114	624	91.5%	686	0.189%
0.25 to <0.50	102	525	91.7%	583	0.381%
0.50 to <0.75	201	329	89.0%	494	0.640%
0.75 to <2.50	694	769	87.7%	1 368	1.388%
2.50 to <10.00	409	329	87.7%	697	3.201%
10.00 to <100.00	31	7	86.5%	38	13.981%
100.00 (Default)	45	1	151.2%	47	100.000%
Sub-total	**1 694**	**5 153**	**91.2%**	**6 393**	**1.597%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**	**EL (R'm)****	**Provisions (R'm)**
6 265	30.5%	3.3	112	5.1%	–	–
1 217	28.2%	3.0	56	11.5%	–	–
942	28.0%	3.2	72	18.0%	–	–
1 329	31.6%	3.4	116	27.5%	1	–
2 279	29.9%	3.3	259	35.5%	3	–
1 471	27.0%	2.8	230	41.2%	6	–
186	25.6%	2.4	36	50.3%	2	–
298	25.1%	2.6	7	22.6%	22	22
13 987	**29.6%**	**3.2**	**888**	**18.2%**	**34**	**22**
34 608	33.1%	1.0	36	1.5%	1	–
9 520	33.1%	1.0	25	3.6%	–	–
9 006	33.1%	1.0	37	6.3%	1	–
5 748	33.1%	1.0	47	9.5%	1	–
16 047	33.1%	1.0	234	17.1%	6	–
9 067	33.1%	1.0	216	31.0%	7	–
705	33.1%	1.0	28	75.7%	2	–
770	33.1%	1.0	7	15.2%	34	34
85 471	**33.1%**	**1.0**	**630**	**9.9%**	**52**	**34**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

	a	b	c	d	e
31 March 2020					
PD Scale	**Original on–balance sheet gross exposure (R'm)**	**Off–balance sheet exposures pre CCF (R'm)**	**Average CCF (%)**	**EAD post CRM and post–CCF (R'm)**	**Average PD (%)**
SME – retail					
0.00 to <0.15	114	43	64.0%	142	0.094%
0.15 to <0.25	218	76	87.0%	284	0.195%
0.25 to <0.50	388	142	85.9%	510	0.402%
0.50 to <0.75	269	63	93.4%	328	0.640%
0.75 to <2.50	1 175	416	90.0%	1 550	1.351%
2.50 to <10.00	1 484	373	89.9%	1 819	4.158%
10.00 to <100.00	294	39	97.5%	332	15.551%
100.00 (Default)	25	4	109.2%	29	100.000%
Sub-total	**3 967**	**1 156**	**88.8%**	**4 994**	**3.644%**
Sovereign					
0.00 to <0.15	61 256	–	0.0%	61 256	0.010%
0.15 to <0.25	5 873	–	0.0%	5 873	0.160%
0.25 to <0.50	–	–	0.0%	–	0.000%
0.50 to <0.75	403	–	0.0%	403	0.640%
0.75 to <2.50	–	–	0.0%	–	0.000%
2.50 to <10.00	154	–	0.0%	154	5.120%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**67 686**	**–**	**0.0%**	**67 686**	**0.038%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**	**EL (R'm)****	**Provisions (R'm)**
927	23.0%	2.9	8	5.7%	–	–
1 990	21.8%	2.6	26	9.2%	–	–
1 453	24.0%	2.6	82	16.0%	–	–
968	24.1%	2.7	69	21.0%	1	–
4 361	22.3%	2.5	411	26.5%	5	–
4 681	21.4%	2.6	591	32.5%	16	–
436	19.9%	2.6	137	41.3%	10	–
113	20.9%	1.8	7	24.4%	10	10
14 929	**22.1%**	**2.6**	**1 331**	**26.7%**	**42**	**10**
4	45.0%	2.5	4 911	8.0%	3	–
1	45.0%	2.5	2 416	41.1%	4	–
–	0.0%	–	–	0.0%	–	–
3	37.0%	2.5	273	67.6%	1	–
–	0.0%	–	–	0.0%	–	–
1	45.0%	2.5	247	160.1%	4	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
9	**44.9%**	**2.5**	**7 847**	**11.6%**	**12**	**–**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

	a	b	c	d	e
31 March 2020					
PD Scale	**Original on–balance sheet gross exposure (R'm)**	**Off–balance sheet exposures pre CCF (R'm)**	**Average CCF (%)**	**EAD post CRM and post–CCF (R'm)**	**Average PD (%)**
Specialised lending					
0.00 to <0.15	4 196	830	72.6%	4 798	0.095%
0.15 to <0.25	7 422	1 176	74.6%	8 299	0.199%
0.25 to <0.50	10 702	1 127	74.1%	11 538	0.395%
0.50 to <0.75	5 836	621	73.1%	6 290	0.640%
0.75 to <2.50	24 966	2 197	74.4%	26 600	1.261%
2.50 to <10.00	18 028	920	73.0%	18 700	3.919%
10.00 to <100.00	1 894	161	73.4%	2 013	17.614%
100.00 (Default)	562	55	0.0%	562	100.000%
Sub-total	**73 606**	**7 087**	**73.3%**	**78 800**	**2.654%**
Slotting exposure					
Sub-total	**6 341**	**777**	**75.0%**	**6 924**	**0.000%**
Total (all portfolios)	**318 730**	**72 557**	**75.3%**	**373 404**	**1.686%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**	**EL (R'm)****	**Provisions (R'm)**
298	44.8%	2.5	1 176	24.5%	2	–
339	45.0%	2.5	3 048	36.7%	7	–
360	44.9%	2.5	6 062	52.5%	20	–
211	45.0%	2.5	4 183	66.5%	18	–
421	44.8%	2.5	22 870	86.0%	150	–
246	44.9%	2.5	21 456	114.7%	329	–
51	45.0%	2.5	3 753	186.5%	160	–
14	45.0%	2.5	2 232	397.1%	98	98
1 940	**44.9%**	**2.5**	**64 780**	**82.2%**	**784**	**98**
28	**0.0%**	**–**	**5 724**	**82.7%**	**40**	**–**
118 699	**33.5%**	**3.0**	**155 280**	**41.6%**	**1 660**	**405**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

30 September 2019

	a	b	c	d	e
PD Scale	Original on-balance sheet gross exposure (R'm)	Off-balance sheet exposures pre CCF R'm)	Average CCF (%)	EAD post CRM and post-CCF (R'm)	Average PD (%)
Banks					
0.00 to <0.15	7 105	–	75.0%	7 105	0.047%
0.15 to <0.25	–	–	0.0%	–	0.000%
0.25 to <0.50	3 318	–	0.0%	3 318	0.443%
0.50 to <0.75	19	–	0.0%	19	0.640%
0.75 to <2.50	1	–	75.0%	1	1.580%
2.50 to <10.00	–	–	0.0%	–	0.000%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**10 443**	**–**	**75.0%**	**10 443**	**0.174%**
Corporate					
0.00 to <0.15	15 931	12 318	60.6%	23 394	0.066%
0.15 to <0.25	7 638	4 158	42.1%	9 390	0.207%
0.25 to <0.50	17 446	5 481	33.6%	19 287	0.419%
0.50 to <0.75	3 539	861	42.2%	3 902	0.640%
0.75 to <2.50	11 189	3 823	54.8%	13 284	1.291%
2.50 to <10.00	6 681	1 683	59.5%	7 682	3.299%
10.00 to <100.00	620	49	53.1%	646	34.210%
100.00 (Default)	121	3	43.7%	123	100.000%
Sub-total	**63 165**	**28 376**	**51.2%**	**77 708**	**1.170%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)	EL (R'm)**	Provisions (R'm)
45	45.0%	2.5	1 899	26.7%	2	–
–	0.0%	–	–	0.0%	–	–
9	69.5%	2.5	4 656	140.3%	10	–
11	45.0%	2.5	16	85.8%	–	–
9	33.2%	2.5	1	87.2%	–	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
75	**52.8%**	**2.5**	**6 572**	**62.9%**	**12**	**–**
187	39.3%	2.5	4 987	21.3%	6	–
216	39.5%	2.5	3 825	40.7%	8	–
684	39.4%	2.5	11 310	58.6%	32	–
342	36.0%	2.5	2 478	63.5%	9	–
3 086	45.2%	2.5	13 574	102.2%	77	–
4 226	41.7%	2.5	9 168	119.3%	105	–
64	42.3%	2.5	1 419	219.7%	95	–
39	45.0%	2.5	578	471.8%	19	19
8 844	**40.4%**	**2.5**	**47 339**	**60.9%**	**351**	**19**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

30 September 2019

	a	b	c	d	e
PD Scale	Original on-balance sheet gross exposure (R'm)	Off-balance sheet exposures pre CCF R'm)	Average CCF (%)	EAD post CRM and post-CCF (R'm)	Average PD (%)
Public sector entities					
0.00 to <0.15	6 640	700	53.6%	7 015	0.070%
0.15 to <0.25	–	–	0.0%	–	0.000%
0.25 to <0.50	–	–	0.0%	–	0.000%
0.50 to <0.75	–	–	0.0%	–	0.000%
0.75 to <2.50	764	–	0.0%	764	1.280%
2.50 to <10.00	–	–	0.0%	–	0.000%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**7 404**	**700**	**53.6%**	**7 779**	**0.189%**
Retail – mortgages					
0.00 to <0.15	24 869	12 735	95.0%	36 962	0.053%
0.15 to <0.25	7 196	3 212	95.4%	10 261	0.196%
0.25 to <0.50	5 069	2 001	96.1%	6 992	0.385%
0.50 to <0.75	6 683	1 973	96.6%	8 589	0.640%
0.75 to <2.50	13 185	3 215	98.5%	16 353	1.323%
2.50 to <10.00	11 066	2 818	99.3%	13 864	4.012%
10.00 to <100.00	1 921	184	112.1%	2 127	15.836%
100.00 (Default)	902	90	123.1%	1 013	100.000%
Sub-total	**70 891**	**26 227**	**96.3%**	**96 160**	**2.333%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)	EL (R'm)**	Provisions (R'm)
8	39.2%	2.5	1 405	20.0%	2	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
1	44.2%	2.5	798	104.5%	4	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
9	**39.7%**	**2.5**	**2 203**	**28.3%**	**6**	**–**
16 296	11.3%	4.9	633	1.7%	2	–
4 265	11.4%	4.9	495	4.8%	2	–
2 859	11.3%	4.8	564	8.1%	3	–
3 687	11.3%	4.8	972	11.3%	6	–
6 625	11.3%	4.7	3 016	18.4%	25	–
6 244	11.4%	4.7	4 758	34.3%	63	–
949	11.3%	4.5	1 295	60.9%	38	–
481	12.1%	4.7	497	49.0%	185	185
41 406	**11.3%**	**4.8**	**12 231**	**12.7%**	**325**	**185**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

	a	b	c	d	e
30 September 2019					
PD Scale	Original on-balance sheet gross exposure (R'm)	Off-balance sheet exposures pre CCF R'm)	Average CCF (%)	EAD post CRM and post-CCF (R'm)	Average PD (%)
Retail – other					
0.00 to <0.15	1 907	289	90.2%	2 167	0.057%
0.15 to <0.25	359	56	89.6%	409	0.187%
0.25 to <0.50	288	43	90.4%	326	0.375%
0.50 to <0.75	367	31	105.1%	399	0.640%
0.75 to <2.50	649	36	117.2%	691	1.311%
2.50 to <10.00	525	33	116.1%	564	4.313%
10.00 to <100.00	45	8	96.7%	53	13.666%
100.00 (Default)	30	1	139.8%	31	100.000%
Sub-total	**4 169**	**497**	**95.0%**	**4 641**	**1.678%**
Retail – revolving credit					
0.00 to <0.15	143	2 558	92.6%	2 511	0.063%
0.15 to <0.25	91	557	91.6%	601	0.191%
0.25 to <0.50	72	380	91.7%	421	0.381%
0.50 to <0.75	198	321	88.8%	484	0.640%
0.75 to <2.50	677	842	87.9%	1 418	1.366%
2.50 to <10.00	390	349	88.3%	698	3.168%
10.00 to <100.00	26	5	85.5%	30	13.308%
100.00 (Default)	40	3	123.8%	43	100.000%
Sub-total	**1 637**	**5 015**	**91.1%**	**6 206**	**1.548%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

** *EL represents the regulatory expected losses as calculated according to the Basel framework*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)	EL (R'm)**	Provisions (R'm)
5 987	29.8%	3.3	107	4.9%	–	–
1 081	29.5%	3.2	49	12.0%	–	–
819	28.3%	3.1	59	18.2%	–	–
1 298	31.0%	3.3	108	27.1%	1	–
2 053	30.5%	3.2	248	35.9%	3	–
1 380	26.5%	2.6	228	40.4%	6	–
155	26.5%	2.7	28	52.7%	2	–
293	24.1%	2.3	17	55.2%	20	20
13 066	**29.4%**	**3.2**	**844**	**18.2%**	**32**	**20**
33 178	33.1%	1.0	36	1.4%	1	–
8 911	33.1%	1.0	22	3.6%	–	–
8 339	33.1%	1.0	26	6.3%	1	–
5 831	33.1%	1.0	46	9.5%	1	–
15 631	33.2%	1.0	240	16.9%	6	–
8 521	33.1%	1.0	215	30.8%	7	–
569	33.1%	1.0	22	74.3%	1	–
684	33.1%	1.0	52	120.8%	25	25
81 664	**33.1%**	**1.0**	**659**	**10.6%**	**42**	**25**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

30 September 2019

	a	b	c	d	e
PD Scale	Original on-balance sheet gross exposure (R'm)	Off-balance sheet exposures pre CCF R'm)	Average CCF (%)	EAD post CRM and post-CCF (R'm)	Average PD (%)
SME – retail					
0.00 to <0.15	108	32	89.9%	137	0.091%
0.15 to <0.25	230	66	91.9%	290	0.190%
0.25 to <0.50	331	130	89.6%	448	0.411%
0.50 to <0.75	271	58	90.4%	324	0.640%
0.75 to <2.50	1 070	372	92.9%	1 416	1.368%
2.50 to <10.00	1 251	315	94.0%	1 547	4.421%
10.00 to <100.00	272	43	93.6%	312	15.883%
100.00 (Default)	39	1	100.0%	40	100.000%
Sub-total	**3 573**	**1 017**	**92.6%**	**4 514**	**4.034%**
Retail – revolving credit					
0.00 to <0.15	74 536	–	0.0%	74 536	0.018%
0.15 to <0.25	–	–	0.0%	–	0.000%
0.25 to <0.50	–	–	0.0%	–	0.000%
0.50 to <0.75	353	–	0.0%	353	0.640%
0.75 to <2.50	–	–	0.0%	–	0.000%
2.50 to <10.00	135	–	0.0%	135	5.120%
10.00 to <100.00	–	–	0.0%	–	0.000%
100.00 (Default)	–	–	0.0%	–	0.000%
Sub-total	**75 024**	**–**	**0.0%**	**75 024**	**0.030%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

** *EL represents the regulatory expected losses as calculated according to the Basel framework*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)	EL (R'm)**	Provisions (R'm)
793	18.5%	2.3	7	4.9%	–	–
1 747	23.1%	2.7	28	9.6%	–	–
1 154	22.8%	2.6	69	15.4%	–	–
906	24.4%	2.6	69	21.2%	1	–
3 746	22.5%	2.5	381	26.9%	4	–
3 677	21.5%	2.6	509	32.9%	15	–
430	20.3%	2.4	132	42.2%	10	–
106	21.9%	1.7	16	40.5%	16	16
12 559	**22.1%**	**2.5**	**1 211**	**26.8%**	**46**	**16**
5	45.0%	2.5	7 396	9.9%	6	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
3	35.3%	2.5	227	64.4%	1	–
–	0.0%	–	–	0.0%	–	–
1	45.0%	2.5	217	160.1%	3	–
–	0.0%	–	–	0.0%	–	–
–	0.0%	–	–	0.0%	–	–
9	**45.0%**	**2.5**	**7 840**	**10.5%**	**10**	**–**

CR6: IRB – CREDIT RISK EXPOSURES BY PORTFOLIO AND PROBABILITY OF DEFAULT (PD) RANGE *(continued)*

30 September 2019

	a	b	c	d	e
PD Scale	Original on-balance sheet gross exposure (R'm)	Off-balance sheet exposures pre CCF R'm)	Average CCF (%)	EAD post CRM and post-CCF (R'm)	Average PD (%)
Specialised lending					
0.00 to <0.15	3 247	1 055	73.5%	4 022	0.095%
0.15 to <0.25	6 323	700	73.3%	6 836	0.202%
0.25 to <0.50	8 497	987	73.0%	9 218	0.390%
0.50 to <0.75	6 795	1 051	74.5%	7 578	0.640%
0.75 to <2.50	21 864	1 823	73.4%	23 203	1.325%
2.50 to <10.00	19 578	1 429	74.6%	20 645	3.696%
10.00 to <100.00	3 643	117	74.9%	3 731	15.384%
100.00 (Default)	724	72	0.0%	724	100.000%
Sub-total	**70 671**	**7 235**	**73.0%**	**75 957**	**3.252%**
Slotting exposure					
Sub-total	**5 978**	**599**	**75.0%**	**6 428**	**0.000%**
Total (all portfolios)	**312 955**	**69 665**	**74.5%**	**364 860**	**1.654%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*
** *EL represents the regulatory expected losses as calculated according to the Basel framework*
^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class.*

f	g	h	i	j	k	l
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)	EL (R'm)**	Provisions (R'm)
281	44.9%	2.5	1 012	25.1%	2	–
285	44.9%	2.5	2 609	38.2%	6	–
340	44.5%	2.5	4 872	52.9%	16	–
215	44.8%	2.5	5 022	66.3%	22	–
452	45.0%	2.5	20 078	86.5%	138	–
285	44.9%	2.5	23 795	115.3%	343	–
62	44.5%	2.5	7 005	187.7%	251	–
17	45.0%	2.5	2 043	282.3%	202	202
1 937	**44.8%**	**2.5**	**66 436**	**87.5%**	**980**	**202**
25	**0.0%**	**–**	**5 189**	**80.7%**	**34**	**–**
114 085	**33.7%**	**3.1**	**150 524**	**41.3%**	**1 837**	**467**

CR7: IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

The purpose of the below table is to Illustrate the effect of credit derivatives on the IRB approach capital requirements' calculations. The pre-credit derivatives RWA before taking account of credit derivatives mitigation effect has been selected to assess the impact of credit derivatives on RWA. This is irrespective of how the CRM technique feeds into the RWA calculation.

		a	b
At 31 March 2020 **R'million**		**pre-credit derivatives RWA**	**Actual RWA**
1	Sovereign – FIRB	10 345	10 345
2	Sovereign – AIRB	–	–
3	Banks – FIRB	11 297	11 297
4	Banks – AIRB	–	–
5	Corporate – FIRB	112 784	112 784
6	Corporate – AIRB	–	–
7	Specialised lending – FIRB	–	–
8	Specialised lending – AIRB	–	–
9	Retail – qualifying revolving (QRRE)	630	630
10	Retail – residential mortgage exposures	12 281	12 281
11	Retail –SME	1 331	1 331
12	Other retail exposures	888	888
13	Equity – FIRB	–	–
14	Equity – AIRB	–	–
15	Purchased receivables – FIRB	–	–
16	Purchased receivables – AIRB	–	–
17	**Total**	**149 556**	**149 556**
	Slotting exposure	**5 724**	**5 724**
	Total including slotting exposure	**155 280**	**155 280**

		a	b
At 31 March 2019 **R'million**		pre-credit derivatives RWA	Actual RWA
1	Sovereign – FIRB	**10 044**	**10 044**
2	Sovereign – AIRB	–	–
3	Banks – FIRB	6 572	6 572
4	Banks – AIRB	–	–
5	Corporate – FIRB	113 774	113 774
6	Corporate – AIRB	–	–
7	Specialised lending – FIRB	–	–
8	Specialised lending – AIRB	–	–
9	Retail – qualifying revolving (QRRE)	659	659
10	Retail – residential mortgage exposures	12 231	12 231
11	Retail –SME	1 210	1 210
12	Other retail exposures	845	845
13	Equity – FIRB	–	–
14	Equity – AIRB	–	–
15	Purchased receivables – FIRB	–	–
16	Purchased receivables – AIRB	–	–
17	**Total**	**145 335**	**145 335**
	Slotting exposure	**5 189**	**5 189**
	Total including slotting exposure	**150 524**	**150 524**

The group does not make use of any unfunded credit derivative instruments for purposes of reducing capital requirements. We have credit-linked notes (CLNs) that serve as protection against credit exposures, however since these CLNs are fully funded, they function as cash collateral and are reported as such.

The purpose of this table is to present a flow statement explaining variations in the credit risk-weighted assets (RWA) determined under an IRB approach.

		a	a	a	a	a
RWA amounts R'million		**31 March 2020**	31 December 2019	30 September 2019	30 June 2019	Pro-forma IRB 31 March 2019^
1	**RWA as at end of previous reporting period**	**156 769**	**150 524**	**142 290**	**142 919**	**–**
2	Asset size	(3 409)	(1 432)	1 207	–	–
3	Asset quality	(3 631)	2 583	429	–	–
4	Model updates	–	–	–	–	–
5	Methodology and policy	–	–	–	–	–
6	Acquisitions and disposals	3 134	4 613	5 820	–	–
7	Foreign exchange movements	2 417	481	778	–	–
8	Other	–	–	–	(629)	–
9	**RWA as at end of reporting period**	**155 280**	**156 769**	**150 524**	**142 290**	**142 919**

^ *Table CR 8 has been reported for the first time in June 2019, however pro-forma IRB number has been provided for March 2019 to show the increase in IRB credit risk weighted assets over the reporting period.*

Investec Bank Limited was granted approval by the South African PA to calculate its minimum capital requirements in respect of credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB); and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB) effective 1 April 2019.

Table CR 8 has been reported for the first time in June 2019, however pro-forma IRB number has been provided for March 2019 to show the increase in IRB credit risk weighted assets over the reporting period.

The table above excludes risk weighted assets related to counterparty credit risk exposures reported in table CCR1.

The increase in RWA over the reporting was mainly attributed to book growth in the Private Bank and the Investec Corporate Institutional Bank.

CR10: IRB (SPECIALISED LENDING AND EQUITIES UNDER THE SIMPLE RISK WEIGHT METHOD)

The purpose of the CR 10 table below is to provide quantitative disclosures of the banks' specialised lending and equity exposures using the simple risk-weight approach.

31 March 2020
R'million

Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW
Strong	Less than 2.5 years	646	65	70%
	Equal to or more than 2.5 years	3 168	492	70%
Good	Less than 2.5 years	–	17	90%
	Equal to or more than 2.5 years	2 467	203	90%
Satisfactory		59	–	115%
Weak		–	–	250%
Default		–	–	–
Total		**6 340**	**777**	

Asset classes reported above relates to IRB exposures where the slotting-method has been applied to measure capital requirements:

PF: Specialised lending - Project finance asset class

OF: Specialised lending – Object finance asset class

CF: Specialised lending – Commodity finance asset class

IPRE: Specialised lending – Income producing real estate asset class

30 September 2019
R'million

Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	RW
Strong	Less than 2.5 years	630	57	70%
	Equal to or more than 2.5 years	3 509	358	70%
Good	Less than 2.5 years	194	19	90%
	Equal to or more than 2.5 years	1 645	165	90%
Satisfactory		–	–	115%
Weak		–	–	250%
Default		–	–	–
Total		**5 978**	**599**	

Asset classes reported above relates to IRB exposures where the slotting-method has been applied to measure capital requirements:

PF: Specialised lending - Project finance asset class

OF: Specialised lending – Object finance asset class

CF: Specialised lending – Commodity finance asset class

IPRE: Specialised lending – Income producing real estate asset class

Specialised lending

Other than HVCRE

Exposure amount PF	OF	CF	IPRE	Total	RWA	Expected losses
678	17	–	–	695	515	3
3 476	62	–	–	3 538	2 625	14
13	–	–	–	13	12	–
2 620	–	–	–	2 620	2 499	21
–	59	–	–	59	73	2
–	–	–	–	–	–	–
–	–	–	–	–	–	–
6 787	**138**	**–**	**–**	**6 925**	**5 724**	**40**

Specialised lending

Other than HVCRE

Exposure amount PF	OF	CF	IPRE	Total	RWA	Expected losses
647	26	–	–	672	499	3
3 698	80	–	–	3 778	2 803	15
14	194	–	–	208	199	2
1 769	–	–	–	1 769	1 688	14
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
6 128	**300**	**–**	**–**	**6 427**	**5 189**	**34**

CR10: IRB (SPECIALISED LENDING AND EQUITIES UNDER THE SIMPLE RISK WEIGHT METHOD)

31 March 2020
R'million

	Equities under the simple risk-weight approach				
Categories	**On-balance sheet amount**	**Off-balance sheet amount**	**RW**	**Exposure amount**	**RWA**
Exchange-traded equity exposures	1 487	–	318%	1 487	4 729
Private equity exposures	–	–	–	–	–
Other equity exposures	2 425	–	424%	2 425	10 281
Total	**3 912**	**–**		**3 912**	**15 010**

30 September 2019
R'million

	Equities under the simple risk-weight approach				
Categories	On-balance sheet amount	Off-balance sheet amount	RW	Exposure amount	RWA
Exchange-traded equity exposures	1 621	–	318%	1 621	5 156
Private equity exposures	–	–		–	–
Other equity exposures	2 226	–	424%	2 226	9 437
Total	**3 847**	**–**		**3 847**	**14 592**

High-volatility commercial real estate (HVCRE) exposures are measured under the standardised approach for credit risk and are therefore excluded from table CR10.

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CCR1: ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

The purpose of the table below is to provide a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

		a	b	c	d	e	f
At 31 March 2020 R'million		**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	CEM-CCR (for derivatives)	12 998	3 712		1	13 635	7 580
2	Internal Model Method (for derivatives and SFTs)			–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)					–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)					2 677	1 202
5	VaR for SFTs					–	–
6	**Total**						**8 782**

		a	b	c	d	e	f
At 31 March 2019 R'million		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post CRM	RWA
1	CEM-CCR (for derivatives)	6 317	3 128	–	1	7 422	5 441
2	Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	1 889	860
5	VaR for SFTs	–	–	–	–	–	–
6	**Total**						**6 301**

Counterparty credit risk RWA in table OV1 of R11.2 billion (including CCR, CVA and CCPs), represent 3.5% of the total bank RWA as at 31 March 2020.

CEM-CCR is the regulator-prescribed method for calculating the counterparties exposure for derivative instruments. It works by taking the net replacement cost of all derivatives (as per signed netting agreements), adding a potential future exposure (PFE) component (based on the notional and underlying type referred to as Anet where netting exists and Agross where no netting exists) and then subtracting any eligible collateral.

Counterparty credit risk exposures reported above include OTC derivative exposures but exclude CVA charges or exposures cleared through a CCP.

Replacement cost in column (a) is reported as the net replacement cost where ISDA agreements exist.

SA-CCR will replace the CEM-CCR methodology to calculate capital requirements for derivatives, anticipated to effective in South Africa from 1 January 2021.

CCR2: CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE

The following table provides a summary of the CVA regulatory calculation under the standardised approach.

		a	b
At 31 March 2020 R'million		**EAD post CRM**	**RWA**
	Total portfolios subject to the advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		–
2	(ii) Stressed VaR component (including the 3×multiplier)		–
3	All portfolios subject to the standardised CVA capital charge	7 645	2 371
4	**Total subject to the CVA capital charge**	**7 645**	**2 371**

		a	b
At 31 March 2019 R'million		EAD post CRM	RWA
	Total portfolios subject to the advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		–
2	(ii) Stressed VaR component (including the 3×multiplier)		–
3	All portfolios subject to the standardised CVA capital charge	5 384	3 392
4	**Total subject to the CVA capital charge**	**5 384**	**3 392**

Credit valuation adjustment (CVA) in the regulatory context is a capital charge to take into account possible volatility in the value of derivative instruments due to changes in the credit quality of the bank's counterparty.

Exchange traded and centrally cleared derivatives are exempt from the CVA capital charge due to the fact that the exchange or clearing house takes on the credit risk of the transaction and as such there should be no volatility.

We currently apply the standardised approach to the calculation of the CVA capital requirement. The Investec Bank Limited group's exposure to unexpected changes to the CVA reserve is generally expected to be low, as the trading of OTC derivatives is predominantly for hedging purposes and transacted with high credit quality financial counterparties largely on a collateralised basis.

COUNTERPARTY CREDIT RISK
CCR3: STANDARDISED APPROACH OF CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

The purpose of this table below is to provide a breakdown of counterparty credit risk exposures calculated according to the standardised approach: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to standardised approach).

	Risk weight		
	a	**b**	**c**
At 31 March 2020 **R'million**	**0%**	**10%**	**20%**
Regulatory portfolio			
Sovereigns	–	–	–
Non-central government public sector entities (PSEs)	–	–	–
Multilateral development banks (MDBs)	–	–	–
Banks	388	–	32
Securities firms	–	–	–
Corporates	–	–	4
Regulatory retail portfolios	–	–	–
Other assets	–	–	–
Total	**388**	**–**	**36**

	Risk weight		
	a	**b**	**c**
At 31 March 2019 **R'million**	0%	10%	20%
Regulatory portfolio			
Sovereigns	–	–	–
Non-central government public sector entities (PSEs)	–	–	466
Multilateral development banks		–	
Banks	32	–	1 722
Securities firms		–	
Corporates	493	–	–
Regulatory retail portfolios	–	–	–
Other assets		–	
Total	**525**	**–**	**2 188**

CCR exposures reported for March 2020 relate to the portion of the credit risk book remaining on the Standardised approach. CCR exposures measured under the IRB, are reported in table CCR4. All CCR credit exposures in March 2019 were reported on the Standardised approach.

CCR3: STANDARDISED APPROACH OF CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS *(continued)*

Risk weight					
d	e	f	g	h	i
50%	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
291	–	148	20	–	879
6	–	1	–	–	7
380	–	3 129	7	–	3 520
–	–	–	–	–	–
–	–	–	–	–	–
677	**–**	**3 278**	**27**	**–**	**4 406**

Risk weight					
d	e	f	g	h	i
50%	75%	100%	150%	Others	Total credit exposure
–	–	506	–		506
2	–	4	34		506
					–
1 221	–	242	–		3 217
		77			77
280	–	4 221	–		4 994
–	11	–	–		11
					–
1 503	**11**	**5 050**	**34**	**–**	**9 311**

COUNTERPARTY CREDIT RISK
CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

The purpose of the table below is to provide all relevant parameters used for the calculation of counterparty credit risk capital requirements for IRB models.

		a	b
31 March 2020 R'million	**PD Scale**	**EAD post-CRM (R'm)**	**average PD (%)**
Banks			
	0.00 to <0.15	3 915	0.047%
	0.15 to <0.25	185	0.161%
	0.25 to <0.50	53	0.453%
	0.50 to <0.75	1	0.640%
	0.75 to <2.50	–	1.280%
	2.50 to <10.00	–	0.000%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**4 154**	**0.058%**
Corporate			
	0.00 to <0.15	1 241	0.073%
	0.15 to <0.25	1 820	0.205%
	0.25 to <0.50	3 502	0.447%
	0.50 to <0.75	431	0.640%
	0.75 to <2.50	209	1.045%
	2.50 to <10.00	61	2.588%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**7 264**	**0.369%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class*

c	d	e	f	g
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**
32	29.2%	1.8	706	18.0%
5	27.7%	2.5	63	34.1%
2	12.3%	2.5	34	63.3%
1	0.0%	2.5	–	0.0%
1	18.0%	2.5	–	106.5%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
41	**28.9%**	**1.8**	**803**	**19.3%**
25	40.7%	2.5	316	25.4%
28	31.2%	2.5	677	37.2%
53	39.9%	2.5	2 198	62.8%
17	38.0%	2.5	323	74.9%
19	34.5%	2.5	189	90.6%
9	38.7%	2.5	80	131.4%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
151	**37.6%**	**2.5**	**3 783**	**52.1%**

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

		a	b
31 March 2020 R'million	**PD Scale**	**EAD post-CRM (R'm)**	**average PD (%)**
Public sector entities			
	0.00 to <0.15	118	0.098%
	0.15 to <0.25	4	0.226%
	0.25 to <0.50	–	0.000%
	0.50 to <0.75	–	0.000%
	0.75 to <2.50	64	1.810%
	2.50 to <10.00	5	2.560%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**191**	**0.737%**
Sovereign			
	0.00 to <0.15	4	0.030%
	0.15 to <0.25	1 428	0.160%
	0.25 to <0.50	–	0.000%
	0.50 to <0.75	–	0.000%
	0.75 to <2.50	–	0.000%
	2.50 to <10.00	–	0.000%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**1 432**	**0.160%**
Total (all portfolios)		**13 041**	**0.252%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class*

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE *(continued)*

c	d	e	f	g
Number of obligors^	**Average LGD (%)**	**Average maturity (years)***	**RWA (R'm)**	**RWA density (%)**
2	41.5%	1.6	29	24.2%
1	25.1%	2.5	2	50.6%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
1	16.7%	2.5	76	118.3%
1	16.3%	2.5	6	130.3%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
5	**32.2%**	**2.0**	**113**	**59.0%**
1	18.0%	2.5	1	15.3%
1	32.2%	2.5	420	29.4%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
2	**32.1%**	**2.5**	**421**	**29.3%**
191	**34.1%**	**2.3**	**5 120**	**39.3%**

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

		a	b
30 September 2019 R'million	PD Scale	EAD post-CRM (R'm)	average PD (%)
Banks			
	0.00 to <0.15	2 257	0.050%
	0.15 to <0.25	72	0.160%
	0.25 to <0.50	259	0.453%
	0.50 to <0.75	3	0.640%
	0.75 to <2.50	1	1.280%
	2.50 to <10.00	–	0.000%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**2 592**	**0.094%**
Corporate			
	0.00 to <0.15	821	0.068%
	0.15 to <0.25	200	0.199%
	0.25 to <0.50	2 425	0.450%
	0.50 to <0.75	93	0.640%
	0.75 to <2.50	154	1.566%
	2.50 to <10.00	14	4.261%
	10.00 to <100.00	3	40.961%
	100.00 (Default)	–	0.000%
	Sub-total	**3 710**	**0.454%**

* *Average maturity represents the obligor maturity in years, weighted by EAD, as used in the RWA calculation.*

^ *Represents the number of unique obligors. The total number of unique obligors will not equal the sum of the obligors in the underlying asset classes since an obligor may be present in more than one asset class*

c	d	e	f	g
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)
33	25.2%	2.2	447	19.8%
2	44.8%	2.5	30	41.2%
4	35.6%	2.5	235	90.7%
2	34.4%	2.5	3	90.0%
2	17.4%	2.5	1	102.8%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
43	**26.8%**	**2.2**	**716**	**27.6%**
22	31.9%	2.5	168	20.5%
31	35.9%	2.5	49	24.3%
58	40.7%	2.5	1 562	64.4%
13	32.1%	2.5	65	70.2%
27	39.6%	2.5	173	112.5%
10	36.0%	2.5	20	147.7%
2	32.1%	2.5	6	180.3%
–	0.0%	–	–	0.0%
163	**38.2%**	**2.5**	**2 043**	**55.1%**

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE

		a	b
30 September 2019 **R'million**	PD Scale	EAD post-CRM (R'm)	average PD (%)
Public sector entities			
	0.00 to <0.15	61	0.110%
	0.15 to <0.25	–	0.000%
	0.25 to <0.50	–	0.000%
	0.50 to <0.75	5	0.640%
	0.75 to <2.50	263	1.810%
	2.50 to <10.00	–	0.000%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**329**	**1.479%**
Sovereign			
	0.00 to <0.15	1 224	0.112%
	0.15 to <0.25	–	0.000%
	0.25 to <0.50	–	0.000%
	0.50 to <0.75	–	0.000%
	0.75 to <2.50	–	0.000%
	2.50 to <10.00	–	0.000%
	10.00 to <100.00	–	0.000%
	100.00 (Default)	–	0.000%
	Sub-total	**1 224**	**0.112%**
Total (all portfolios)		**7 855**	**0.325%**

CCR4: IRB – CCR EXPOSURES BY PORTFOLIO AND PD SCALE *(continued)*

c	d	e	f	g
Number of obligors^	Average LGD (%)	Average maturity (years)*	RWA (R'm)	RWA density (%)
3	37.3%	1.1	14	23.5%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
1	14.3%	2.5	4	82.2%
1	26.8%	2.5	332	126.1%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
5	**28.5%**	**2.2**	**350**	**106.5%**
2	30.0%	2.5	276	22.5%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
–	0.0%	–	–	0.0%
2	**30.0%**	**2.5**	**276**	**22.5%**
206	**32.7%**	**2.4**	**3 385**	**43.1%**

CCR5: COMPOSITION OF COLLATERAL FOR CCR EXPOSURE

The purpose of the table below is to provide a breakdown of all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
At 31 March 2020 R'million	**Segregated**	**Un-segregated**	**Segregated**	**Un-segregated**	**Fair value of collateral received**	**Fair value of posted collateral**
Cash – domestic currency	2 235	–	1 113	–	–	16 191
Cash – other currencies	29	–	16 209	–	–	8 590
Domestic sovereign debt	604	–	–	–	–	–
Other sovereign debt	–	–	–	–	–	–
Government agency debt	–	–	–	–	–	–
Corporate bonds	–	–	–	–	9 687	–
Equity securities	457	–	–	–	–	–
Other collateral	580	–	–	–	14 756	–
Total	**3 905**	**–**	**17 322**	**–**	**24 443**	**24 781**

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
At 31 March 2019 R'million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – domestic currency	250	–	993	–	–	7 703
Cash – other currencies	1 462	–	6 928	–	–	8 999
Domestic sovereign debt	–	–	–	–	5 191	–
Other sovereign debt	–	–	–	–	2 740	–
Government agency debt	–	–	–	–	187	–
Corporate bonds	–	–	–	–	5 140	–
Equity securities	225	–	–	–	–	–
Other collateral	582	–	–	–	1 555	–
Total	**2 519**	**–**	**7 921**	**–**	**14 813**	**16 702**

Segregated refers to collateral which is held in a bankruptcy-remote manner.

The purpose of the table below is to illustrate the extent of a bank's exposures to credit derivative transactions broken down between derivatives bought or sold.

	a	b
At 31 March 2020 R'million	**Protection bought**	**Protection sold**
Notionals		
Single-name credit default swaps	–	4 791
Index credit default swaps	–	–
Total notionals	**–**	**4 791**
Fair values		
Positive fair value asset	–	4 801
Negative fair value liability	–	(123)

	a	b
At 31 March 2019 R'million	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	–	2 604
Index credit default swaps	–	–
Total return swaps	**–**	**2 604**
Fair values		
Positive fair value asset	–	44
Negative fair value liability	–	(57)

The group does not make use of any unfunded credit derivative instruments for purposes of reducing capital requirements. We have credit-linked notes (CLNs) that serve as protection against credit exposures, however since these CLNs are fully funded, they function as cash collateral and are reported as such.

CCR8: EXPOSURES TO CENTRAL COUNTERPARTIES

The purpose of the table below is to provide a comprehensive picture of the bank's exposures to central counterparties. In particular, the template includes all types of exposures (due to operations, margins, contributions to default funds) and related capital requirements

		a	b
At 31 March 2020 **R'million**		**EAD (post-CRM)**	**RWA**
1	**Exposures to QCCPs (total)**		**54**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2 717	54
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	2 717	54
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	1 634	
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	13	0.3
10	Unfunded default fund contributions	–	–
11	**Exposures to non-QCCPs (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–
13	(i) OTC derivatives	–	–
14	(ii) Exchange-traded derivatives	–	–
15	(iii) Securities financing transactions	–	–
16	(iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

		a	b
At 31 March 2019 **R'million**		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**48**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2 391	48
3	(i) OTC derivatives	–	–
4	(ii) Exchange-traded derivatives	2 391	48
5	(iii) Securities financing transactions	–	–
6	(iv) Netting sets where cross-product netting has been approved	–	–
7	Segregated initial margin	1 078	
8	Non-segregated initial margin	–	–
9	Pre-funded default fund contributions	10	–
10	Unfunded default fund contributions		–
11	**Exposures to non-QCCPs (total)**		–
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–
13	(i) OTC derivatives	–	–
14	(ii) Exchange-traded derivatives	–	–
15	(iii) Securities financing transactions	–	–
16	(iv) Netting sets where cross-product netting has been approved	–	–
17	Segregated initial margin	–	–
18	Non-segregated initial margin	–	–
19	Pre-funded default fund contributions	–	–
20	Unfunded default fund contributions	–	–

SECURITISATION
SEC1: SECURITISATION EXPOSURES IN THE BANKING BOOK

The purpose of the table below is to present a bank's securitisation exposures in its banking book.

		a	b	c
		Bank acts as originator		
At 31 March 2020 **R'million**		**Traditional**	**Synthetic**	**Sub-total**
1	**Retail (total) – of which**	2 419	–	2 419
2	residential mortgage	2 419	–	2 419
3	credit card	–	–	–
4	other retail exposures	–	–	–
5	resecuritisation	–	–	–
6	**Wholesale (total) – of which**	**–**	**–**	**–**
7	loans to corporates	–	–	–
8	commercial mortgage	–	–	–
9	lease and receivables	–	–	–
10	other wholesale	–	–	–
11	resecuritisation	–	–	–

		a	b	c
		Bank acts as originator		
At 31 March 2019 **R'million**		Traditional	Synthetic	Sub-total
1	**Retail (total) – of which**	1 907	–	1 907
2	residential mortgage	1 907	–	1 907
3	credit card	–	–	–
4	other retail exposures	–	–	–
5	resecuritisation	–	–	–
6	**Wholesale (total) – of which**	**–**	**–**	**–**
7	loans to corporates	–	–	–
8	commercial mortgage	–	–	–
9	lease and receivables	–	–	–
10	other wholesale	–	–	–
11	resecuritisation	–	–	–

The bank only transacts in traditional securitisation schemes and none of the underlying assets or exposures relate to re-securitised assets.

Exposures where the bank has acted as the originator relate to retained positions of issued notes and first loss positions provided to the securitisation structures.

Securitisation exposures where the bank has acted as an investor are the investment positions purchased in third party deals.

Asset classes/rows reported above are classified based on the underlying exposure pool.

e	f	g	i	j	k
Bank acts as sponsor			**Bank acts as investor**		
Traditional	**Synthetic**	**Sub-total**	**Traditional**	**Synthetic**	**Sub-total**
–	–	–	4 043	–	4 043
–	–	–	3 802	–	3 802
–	–	–	–	–	–
–	–	–	241	–	241
–	–	–	–	–	–
–	**–**	**–**	**78**	**–**	**78**
–	–	–	78	–	78
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

e	f	g	i	j	k
Bank acts as sponsor			**Bank acts as investor**		
Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
–	–	–	2 124	–	2 124
–	–	–	2 124	–	2 124
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	**–**	**–**	**185**		**185**
–	–	–	185	–	185
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

SECURITISATION RISK SEC3: SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED REGULATORY CAPITAL REQUIREMENTS – BANK ACTING AS ORIGINATOR OR AS SPONSOR

The purpose of the table below is to present securitisation exposures in the banking book when the bank acts as originator or sponsor and he associated capital requirements.

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					**Exposure values (by regulatory approach)**	
At 31 March 2020 **R'million**		**≤ 20% RW**	**> 20% to 50% RW**	**> 50% to 100% RW**	**> 100% to < 1 250% RW**	**1 250% RW**	**IRB RBA (including IAA)**	**IRB SFA**
1	**Total exposures**	**1 728**	**690**	**–**	**–**	**–**	**2 419**	**–**
2	**Traditional securitisation**	1 728	690	–	–	–	2 419	–
3	Of which securitisation	1 728	690	–	–	–	2 419	–
4	Of which retail underlying	1 728	690	–	–	–	2 419	–
5	Of which wholesale	–	–	–	–	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	1 728	690	–	–	–	2 419	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					**Exposure values (by regulatory approach)**	
At 31 March 2019 **R'million**		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1 250% RW	1 250% RW	IRB RBA (including IAA)	IRB SFA
1	**Total exposures**	**–**	**1 907**	**–**	**–**	**–**	**–**	**–**
2	**Traditional securitisation**	–	1 907	–	–	–	–	–
3	Of which securitisation	–	1 907	–	–	–	–	–
4	Of which retail underlying	–	1 907	–	–	–	–	–
5	Of which wholesale	–	–	–	–	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	–	1 907	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–

Columns (a) to (e) are defined in relation to regulatory risk weights applied to retained exposures. The bank applied the look-through approach by applying capital requirements to the underlying assets in the scheme.

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		**RWA (by regulatory approach)**				**Capital charge after cap**			
SA/SSFA	**1 250%**	**IRB RBA (including IAA)**	**IRB SFA**	**SA/SSFA**	**1 250%**	**IRB RBA (including IAA)**	**IRB SFA**	**SA/SSFA**	**1 250%**
–	**–**	**418**	**–**	**–**	**–**	**48**	**–**	**–**	**–**
–	–	418	–	–	–	48	–	–	–
–	–	418	–	–	–	48	–	–	–
–	–	418	–	–	–	48	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	418	–	–	–	48	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		**RWA (by regulatory approach)**				**Capital charge after cap**			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
1 907	**–**	**–**	**–**	**1 282**	**–**	**–**	**–**	**148**	**–**
1 907	–	–	–	1 282	–	–	–	148	–
1 907	–	–	–	1 282	–	–	–	148	–
1 907	–	–	–	1 282	–	–	–	148	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
1 907	–	–	–	1 282	–	–	–	148	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

SEC4: SECURITISATION EXPOSURES IN THE BANKING BOOK AND ASSOCIATED CAPITAL REQUIREMENTS – BANK ACTING AS INVESTOR

The purpose of the table below is to present securitisation exposures in the banking book where the bank acts as investor and the associated capital requirements.

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2020 R'million		**≤ 20% RW**	**> 20% to 50% RW**	**> 50% to 100% RW**	**> 100% to < 1 250% RW**	**1 250% RW**	**IRB RBA (including IAA)**	**IRB SFA**
1	**Total exposures**	**1 744**	**1 399**	**900**	**78**	**–**	**–**	**–**
2	**Traditional securitisation**	1 744	1 399	900	78	–	–	–
3	Of which securitisation	1 744	1 399	900	78	–	–	–
4	Of which retail underlying	1 744	1 399	900	–	–	–	–
5	Of which wholesale	–	–	–	78	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	1 744	1 399	900	78	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–

		a	b	c	d	e	f	g
		Exposure values (by RW bands)					Exposure values (by regulatory approach)	
At 31 March 2019 R'million		≤ 20% RW	> 20% to 50% RW	> 50% to 100% RW	> 100% to < 1 250% RW	1 250% RW	IRB RBA (including IAA)	IRB SFA
1	**Total exposures**	**33**	**1 183**	**1 037**	**89**	**–**	**–**	**–**
2	**Traditional securitisation**	33	1 183	1 037	89	–	–	–
3	Of which securitisation	33	1 183	1 037	89	–	–	–
4	Of which retail underlying	–	1 183	941	–	–	–	–
5	Of which wholesale	33	–	96	89	–	–	–
6	Of which resecuritisation	–	–	–	–	–	–	–
7	Of which senior	33	1 183	1 037	89	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–
9	**Synthetic securitisation**	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–
13	Of which resecuritisation	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–

Columns (a) to (e) include the investments positions purchased in third party Special Purpose Institution exposures. The bank applied the look-through approach to calculate RWA for senior investment exposures.

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		**RWA (by regulatory approach)**				**Capital charge after cap**			
SA/SSFA	**1 250%**	**IRB RBA (including IAA)**	**IRB SFA**	**SA/SSFA**	**1 250%**	**IRB RBA (including IAA)**	**IRB SFA**	**SA/SSFA**	**1 250%**
4 121	**–**	**–**	**–**	**2 009**	**–**	**–**	**–**	**231**	**–**
4 121	–	–	–	2 009	–	–	–	231	–
4 121	–	–	–	2 009	–	–	–	231	–
4 043	–	–	–	1 678	–	–	–	193	–
78	–	–	–	331	–	–	–	38	–
–	–	–	–	–	–	–	–	–	–
4 121	–	–	–	2 009	–	–	–	231	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

h	i	j	k	l	m	n	o	p	q
Exposure values (by regulatory approach)		**RWA (by regulatory approach)**				**Capital charge after cap**			
SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%	IRB RBA (including IAA)	IRB SFA	SA/SSFA	1 250%
2 341	**–**	**–**	**–**	**1 771**	**–**	**–**	**–**	**204**	**–**
2 341	–	–	–	1 771	–	–	–	204	–
2 341	–	–	–	1 771	–	–	–	204	–
2 124	–	–	–	1 292	–	–	–	149	–
218	–	–	–	479	–	–	–	55	–
–	–	–	–	–	–	–	–	–	–
2 341	–	–	–	1 771	–	–	–	204	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–

MARKET RISK
MR1: MARKET RISK UNDER STANDARDISED APPROACH

The purposes of the MR1 table below is to provide the components of the capital charge under the SA for market risk

		a
At 31 March 2020 **R'million**		**Capital charge in SA**
	Outright products	
1	Interest rate risk (general and specific)	258
2	Equity risk (general and specific)	208
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**466**

		a
At 31 March 2019 **R'million**		Capital charge in SA
	Outright products	
1	Interest rate risk (general and specific)	38
2	Equity risk (general and specific)	129
3	Foreign exchange risk	–
4	Commodity risk	–
	Options	
5	Simplified approach	–
6	Delta-plus method	–
7	Scenario approach	–
8	Securitisation	–
9	**Total**	**167**

RWA in this table is derived by multiplying the capital required by 12.5.

MR2: RWA FLOW STATEMENTS OF MARKET RISK EXPOSURES UNDER AN IMA

The table below presents a flow statement explaining variations in the market RWA determined under an internal model approach.

		a	b	c	d	e	f
At 31 March 2020 R'million		**VaR**	**Stressed VaR**	**IRC**	**CRM**	**Other**	**Total RWA**
1	**RWA at previous quarter end**	1 088	1 703	–	–	–	2 791
2	Movement in risk levels	44	857	–	–	–	901
3	Model updates/changes	–	–	–	–	–	–
4	Methodology and policy	–	–	–	–	–	–
5	Acquisitions and disposals	–	–	–	–	–	–
6	Foreign exchange movements	–	–	–	–	–	–
7	Other	–	–	–	–	–	–
8	**RWA at the end of the reporting period**	1 132	2 560	–	–	–	3 692

		a	b	c	d	e	f
At 31 March 2019 R'million		VaR	Stressed VaR	IRC	CRM	Other	Total RWA
1	**RWA at previous quarter end**	1 457	2 136	–	–	–	3 593
2	Movement in risk levels	(195)	(257)	–	–	–	(452)
3	Model updates/changes	–	–	–	–	–	–
4	Methodology and policy	–	–	–	–	–	–
5	Acquisitions and disposals	–	–	–	–	–	–
6	Foreign exchange movements	–	–	–	–	–	–
7	Other	–	–	–	–	–	–
8	**RWA at the end of the reporting period**	**1 262**	**1 879**	**–**	**–**	**–**	**3 141**

RWA in this table is derived by multiplying the capital required by 12.5.

MR3: IMA VALUES FOR TRADING PORTFOLIOS

The table below displays the values (maximum, minimum, average and period ending for the reporting period) resulting from the different types of models used for computing the regulatory capital charge at the group level, before any additional capital charge is applied by the jurisdiction.

		a
At 31 March 2020 R'million		**VaR (10-day 99%)**
1	Maximum value	40
2	Average value	27
3	Minimum value	20
4	Period end	30
		Stressed VaR (10-day 99%)
5	Maximum value	98
6	Average value	62
7	Minimum value	39
8	Period end	67
		Incremental risk charge (99.9%)
9	Maximum value	–
10	Average value	–
11	Minimum value	–
12	Period end	–
		Comprehensive risk capital charge (99.9%)
13	Maximum value	–
14	Average value	–
15	Minimum value	–
16	Period end	–
17	Floor (standardised measurement method)	–

.

		a
At 31 March 2019 R'million		**VaR (10-day 99%)**
1	Maximum value	44
2	Average value	29
3	Minimum value	23
4	Period end	26
		Stressed VaR (10-day 99%)
5	Maximum value	76
6	Average value	44
7	Minimum value	27
8	Period end	27
		Incremental risk charge (99.9%)
9	Maximum value	–
10	Average value	–
11	Minimum value	–
12	Period end	–
		Comprehensive risk capital charge (99.9%)
13	Maximum value	–
14	Average value	–
15	Minimum value	–
16	Period end	–
17	Floor (standardised measurement method)	–

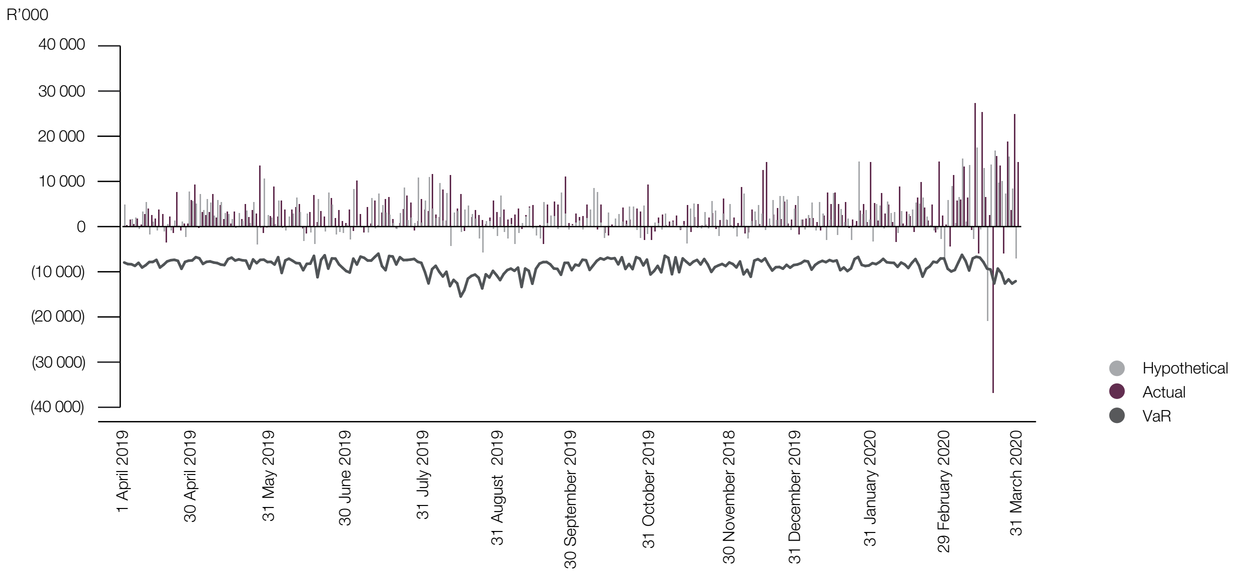
Summary statistics were calculated on the 10-day VaR and sVaR figures for the year ended 31 March 2020. The 10-day figures were obtained by multiplying the one-day figures by SQRT(10)

MARKET RISK
MR4: COMPARISON OF VAR ESTIMATES WITH GAINS/LOSSES (PHASE I)

The purpose of the MR4 template is to Present a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the backtesting exceptions, and to give an analysis of the main outliers in backtested results, as per Annex 10a part II of the Basel framework.

The graphs that follow show the result of backtesting the total daily 99% one-day VaR against the clean profit and loss figures for our trading activities over the reporting period. Based on these graphs, we can gauge the accuracy of the VaR figures i.e. 99% of the time, the total trading activities are not expected to lose more than the 99% one-day VaR.

IBL Consolidated - Actual and Hypothetical VaR backtesting



The average VaR for the year ended 31 March 2020 was higher than the previous year. The graph below is based on clean profit and loss, which excludes items such as fees, commissions, valuation adjustments, provisions, recoveries and intra-day transactions, resulted in one exception, which is below the expected number of two to three exceptions as implied by the 99% VaR model. The exception was as a result of significant increase in market volatility at the end of the financial year.

CCYB1: GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES USED IN THE COUNTERCYCLICAL BUFFER

The purpose of the CCYB1 table below is to provide an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the countercyclical buffer.

	a	b	c	d	e
31 March 2020 **R'million**	**Countercyclical capital buffer rate**	**Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer**		**Bank-specific countercyclical capital buffer rate**	**Countercyclical buffer amount**
		Exposure values	**Risk-weighted assets**		
Geographical breakdown	0.0%	–	–	0.000%	–
TOTAL ADJUSTMENT					

	a	b	c	d	e
31 March 2019 **R'million**	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Geographical breakdown					
United Kingdom	1.0%	11 121	9 015		102
TOTAL ADJUSTMENT		**11 121**	**9 015**	0.0295%	**102**

The CCyB add-on for South Africa is 0% and is subject to a one-year pre-announced date before implementation.

With effect 1 January 2016, all countercyclical capital buffers (CCyBs) should be incorporated into a weighted average CCyB calculation based on jurisdictional reciprocity. Reciprocity ensures that the application of the CCyB in each jurisdiction does not distort the level playing field between domestic banks and foreign banks with exposures to counterparties in the same jurisdiction.

As at 31 March 2020, Investec Bank Limited does not have any jurisdictional reciprocity CCyB add-on as calculated in accordance with Banks Act Directive 2 of 2018.

The countercyclical buffer amount is the bank-specific countercyclical capital buffer rate multiplied by total risk-weighted assets.

5

COMPOSITION OF CAPITAL DISCLOSURE REQUIREMENTS

The purpose of the CC1 table below is to Provide a breakdown of the constituent elements of a bank's capital (after the transition period for the phasing-in of deductions ends on 1 January 2018).

		a	a
R'million		**31 March 2020**	31 March 2019
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	14 281	13 396
2	Retained earnings	26 947	25 579
3	Accumulated other comprehensive income (and other reserves)	(1 474)	1 019
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–	–
6	**Common Equity Tier 1 capital before regulatory adjustments**	**39 754**	**39 994**
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments	6	8
8	Goodwill (net of related tax liability)	178	171
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	318	418
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	–	–
11	Cash flow hedge reserve	(1 550)	(931)
12	Shortfall of provisions to expected losses	629	–
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	–	–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	26	24
15	Defined benefit pension fund net assets	–	–
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	–
17	Reciprocal cross-holdings in common equity	–	–
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	1 596	2 153
20	Mortgage servicing rights (amount above 10% threshold)	–	–
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
22	Amount exceeding the 15% threshold	–	–
23	Of which: significant investments in the common stock of financials	–	–
24	Of which: mortgage servicing rights	–	–
25	Of which: deferred tax assets arising from temporary differences	–	–
26	National specific regulatory adjustments	–	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	–
28	**Total regulatory adjustments to Common Equity Tier 1**	**1 203**	**1 843**
29	**Common Equity Tier 1 capital (CET1) (row 6 minus row 28)**	**38 551**	**38 151**

		a	a
R'million		**31 March 2020**	31 March 2019
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	460	460
31	Of which: classified as equity under applicable accounting standards	460	460
32	Of which: classified as liabilities under applicable accounting standards	–	–
33	Directly issued capital instruments subject to phase-out from additional Tier 1	307	460
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	–	–
35	Of which: instruments issued by subsidiaries subject to phase-out	–	–
36	**Additional Tier 1 capital before regulatory adjustments**	**767**	**920**
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own additional Tier 1 instruments	–	–
38	Reciprocal cross-holdings in additional Tier 1 instruments	–	–
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	16	–
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	–
41	National specific regulatory adjustments	–	–
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
43	**Total regulatory adjustments to additional Tier 1 capital**	**16**	**–**
44	**Additional Tier 1 capital (AT1)**	**751**	**920**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**39 302**	**39 071**
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	12 037	13 918
47	Directly issued capital instruments subject to phase-out from Tier 2	–	1 750
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	–
49	Of which: instruments issued by subsidiaries subject to phase-out	–	–
50	Provisions	895	877
51	**Tier 2 capital before regulatory adjustments**	**12 932**	**14 795**
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	–	–
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	–	–
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	27	–
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	–	–
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–
56	National specific regulatory adjustments	–	–
57	**Total regulatory adjustments to Tier 2 capital**	**27**	**–**
58	**Tier 2 capital (T2)**	**12 905**	**14 795**
59	**Total regulatory capital (TC = T1 + T2)**	**52 207**	**53 866**

R'million		a **31 March 2020**	a 31 March 2019
60	**Total risk-weighted assets**	**319 090**	**340 315**
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.1%	11.2%
62	**Tier 1 (as a percentage of risk-weighted assets)**	12.3%	11.5%
63	**Total capital (as a percentage of risk-weighted assets)**	16.4%	15.8%
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	7.5%	7.5%
65	Of which: capital conservation buffer requirement	2.5%	2.5%
66	Of which: bank-specific countercyclical buffer requirement	0.0%	0.0%
67	Of which: higher loss absorbency requirement	0.0%	0.0%
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	4.6%	3.7%
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	7.5%	7.5%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	9.3%	9.3%
71	National total capital minimum ratio (if different from Basel III minimum)	11.5%	11.5%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	–	–
73	Significant investments in the common stock of financial entities	4 015	4 030
74	Mortgage servicing rights (net of related tax liability)	–	–
75	Deferred tax assets arising from temporary differences (net of related tax liability)	2 568	1 396
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	895	877
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1 095	3 358
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	–	–
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–
82	Current cap on AT1 instruments subject to phase-out arrangements	–	–
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
84	Current cap on T2 instruments subject to phase-out arrangements	–	–
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–

The purpose of the CC2 table below is to enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between a bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1.

	a	b
31 March 2020 **R'million**	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**
Assets		
Cash and balances at central banks	36 656	36 656
Loans and advances to banks	18 050	18 053
Non-sovereign and non-bank cash placements	14 014	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	26 426	26 426
Sovereign debt securities	64 358	64 358
Bank debt securities	12 265	12 265
Other debt securities	17 416	17 416
Derivative financial instruments	17 434	17 434
Securities arising from trading activities	3 178	3 178
Investment portfolio	5 801	7 328
Loans and advances to customers	276 754	277 489
Own originated loans and advances to customers securitised	7 192	7 192
Other loans and advances	242	242
Other securitised assets	416	416
Interests in associated undertakings	5 662	5 919
Deferred taxation assets	2 903	2 903
Other assets	6 157	6 259
Property and equipment	3 008	3 008
Investment properties	1	3 720
Goodwill	178	178
Intangible assets	318	318
Loans to group companies	17 542	17 444
Investment in subsidiaries	–	–
Non-current assets held for sale	–	285
Total assets	**535 971**	**542 501**
Liabilities		
Deposits by banks	37 277	39 367
Derivative financial instruments	22 097	22 180
Other trading liabilities	4 521	4 521
Repurchase agreements and cash collateral on securities lent	26 626	26 626
Customer accounts (deposits)	375 948	375 948
Debt securities in issue	3 258	4 268
Liabilities arising on securitisation of own originated loans and advances	1 699	1 699
Liabilities arising on securitisation of other assets	–	–
Current taxation liabilities	315	317
Deferred taxation liabilities	47	49
Other liabilities	7 590	7 727
Loans from group companies and subsidiaries	2 807	2 807
Subordinated liabilities	12 037	12 037
Liabilities to customers under investment contracts	–	–
Total liabilities	**494 222**	**497 546**
Shareholders' equity		
Ordinary share capital	32	2 467
Share premium	15 785	15 784
Other reserves	(787)	(786)
Retained income	26 259	27 030
Additional Tier 1 capital issued	460	460
Total shareholders' equity	**41 749**	**44 955**

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Disclosure template for main features of regulatory capital instruments

	At 31 March 2020	Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	ZAE000048393	N/A
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	CET1	AT1	AT1
5	Post-transitional Basel III rules	CET1	AT1	AT1
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	CET1	AT1	AT1
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	14 268	1 534	350
9	Par value of instrument	14 268	1 534	350
10	Accounting classification	IFRS: Equity	IFRS: Equity	IFRS: Equity
11	Original date of issuance	31 March 1969	17 July 2003	22 March 2018
12	Perpetual or dated	Perpetual	Perpertual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	22 March 2023
	Tax and/or regulatory event	Not applicable	Not applicable	Yes
	Redemption amount	Not applicable	Not applicable	100% of principal plus interest
16	Subsequent call date, if applicable	Not applicable	Not applicable	Every reset date thereafter
	Coupons/dividends			
17	Fixed or floating dividend coupon	Floating	Floating	Floating
18	Coupon rate and any related index	Not applicable	83.33% of Prime Rate	JIBAR + 5.15%
19	Existence of a dividend stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cummulative	Non-cumulative

IV019	IV019A	IV033	IV034	IV035
Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000094442	ZAG000095779	ZAG00013342	ZAG000133430	ZAG000134610
South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
179	374	159	101	1 468
64	230	159	101	1 468
IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
2 April 2012	28 May 2012	11 February 2016	11 February 2016	17 March 2016
Dated	Dated	Dated	Dated	Dated
31 March 2028	31 March 2028	11 February 2026	11 February 2026	7 April 2027
Yes	Yes	Yes	Yes	Yes
31 March 2023	3 April 2023	11 February 2021	11 February 2021	7 April 2022
Yes	Yes	Yes	Yes	Yes
Investment amount plus interest plus change in price of replicated bond	Investment amount plus interest plus change in price of replicated bond	100% of principal and interest	100% of principal and interest	100% of principal and interest
Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
Floating	Floating	Floating	Fixed	Floating
CPI-linked: 2.60%	CPI-linked: 2.60%	JIBAR + 4.25%	12,47%	Jibar + 4.65%
No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2020		Ordinary share capital and premium	Non-redeemable, non-cumulative, non-participating preference shares	IVO48U
23	Convertible or non-convertible	Not applicable	Not applicable	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	PONV as defined by regulator
32	If write-down, full or partial	Not applicable	Not applicable	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Not applicable	Not applicable	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Additional Tier 1 instruments	Tier 2 instruments	Tier 1 instruments
36	Non-compliant transitioned features	Not applicable	Yes	No
37	If yes, specify non-compliant features	Not applicable	Excludes loss absorbency requirements	Not applicable

1. *Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.*

IV019	IV019A	IV033	IV034	IV035
Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
Not applicable	Not applicable	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
No	No	No	No	No
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Disclosure template for main features of regulatory capital instruments *(continued)*

	At 31 March 2020	IV036	IV037	IV038
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000135526	Unlisted	ZAG000139593
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	32	2 016	350
9	Par value of instrument	32	1 724	350
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	22 April 2016	19 October 2016	23 September 2016
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	22 July 2026	19 October 2026	23 September 2026
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	22 July 2021	19 October 2021	23 September 2021
	Tax and/or regulatory event	Yes	Yes	Yes
	Redemption amount	100% of principal and interest	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends			
17	Fixed or floating dividend coupon	Floating	Mixed Rate	Floating
18	Coupon rate and any related index	Jibar + 4.25%	LIBOR + 5.5%	JIBAR + 4.25%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative

IV039	IV040	IV041	IV042	IV043	IV044
Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
ZAG000139700	ZAG000139718	ZAG000139726	ZAG000140708	ZAG000140765	ZAG000141797
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2
Group and solo	Group and solo	Group and solo	Group and solo	Group and solo	Group and solo
Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
187	589	190	50	150	240
119	589	190	50	150	240
IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
29 September 2016	29 September 2016	29 September 2016	18 November 2016	21 November 2016	31 January 2017
Dated	Dated	Dated	Dated	Dated	Dated
31 January 2027	29 September 2026	29 September 2026	18 November 2026	21 November 2026	31 January 2027
Yes	Yes	Yes	Yes	Yes	Yes
31 January 2022	29 September 2021	29 September 2021	18 November 2021	21 November 2021	31 January 2022
Yes	Yes	Yes	Yes	Yes	Yes
inflation adjusted 100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest	100% of principal and interest
Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
Mixed Rate	Floating	Mixed Rate	Floating	Mixed Rate	Floating
CPI-linked: 2.75%	J + 4.25%	11,97%	J + 4.25%	12,50%	J + 4.15%
No	No	No	No	No	No
Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
No	No	No	No	No	No
Cumulative	Cumulative	Cumulative	Cumulative	Cumulative	Cumulative

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2020		IV036	IV037	IV038
23	Convertible or non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
32	If write-down, full or partial	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

1. *Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.*

IV039	IV040	IV041	IV042	IV043	IV044
Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
No	No	No	No	No	No
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2020		IV045	IV046	IV047
1	Issuer	Investec Bank Limited	Investec Bank Limited	Investec Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ZAG000141805	ZAG000144585	Unlisted
3	Governing law(s) of the instrument	South Africa	South Africa	South Africa
	Regulatory treatment			
4	Transitional Basel III rules	Tier 2	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/group/group and solo	Group and solo	Group and solo	Group and solo
7	Instrument type (types to be specified by each jurisdiction)	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)[1]	1 822	1 200	1 817
9	Par value of instrument	1 160	1 200	1 517
10	Accounting classification	IFRS: Accrual	IFRS: Accrual	IFRS: Accrual
11	Original date of issuance	31 January 2017	21 June 2017	30 June 2017
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	31 January 2027	21 June 2027	30 June 2022
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	31 January 2022	21 June 2022	30 June 2027
	Tax and/or regulatory event	Yes	Yes	Yes
	Redemption amount	inflation adjusted 100% of principal and interest	100% of principal and interest	100% of principal and interest
16	Subsequent call date, if applicable	Every reset date thereafter	Every reset date thereafter	Every reset date thereafter
	Coupons/dividends			
17	Fixed or floating dividend coupon	Mixed Rate	Floating	Mixed Rate
18	Coupon rate and any related index	CPI-linked: 2.75%	J + 3.90%	Libor + 4.5%
19	Existence of a dividend stopper	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Cumulative	Cumulative	Cumulative

IV049	IV050
Investec Bank Limited	Investec Bank Limited
Unlisted	ZAG000158080
South Africa	South Africa
Tier 2	AT1
Tier 2	AT1
Group and solo	Group and solo
Subordinated debt	AT1
1 113	110
783	110
IFRS: Accrual	IFRS: Equity
3 December 2018	26-Mar-19
Dated	Perpetual
4 March 2028	No maturity
Yes	Yes
4 December 2028	26-Jun-24
Yes	Yes
100% of principal and interest	100% of principal plus interest
Every reset date thereafter	Every reset date thereafter
Mixed Rate	Floating
Jibar + 3.413%	Jibar + 4.55%
No	Yes
Mandatory	Fully discretionary
No	No
Cumulative	Non-cumulative

Disclosure template for main features of regulatory capital instruments *(continued)*

At 31 March 2020		IV045	IV046	IV047
23	Convertible or non-convertible	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator	Convertible or write-off as per regulation, at option of regulator
24	if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	if convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	if convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down feature	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
31	If write-down, write-down trigger(s)	PONV as defined by regulator	PONV as defined by regulator	PONV as defined by regulator
32	If write-down, full or partial	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
33	If write-down, permanent or temporary	Permanent as per G7/2013	Permanent as per G7/2013	Permanent as per G7/2013
34	If write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors	Any amounts due and payable to Senior Creditors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Note 1: Amount recognised in regulatory capital pre phasing out of non-qualifying instruments which is not allocated per instrument.

	IV049	IV050
	Convertible or write-off as per regulation, at option of regulator	Non-convertible
	Not applicable	Not applicable
	Not applicable	Not applicable
	Not applicable	Not applicable
	Not applicable	Not applicable
	Not applicable	Not applicable
	Not applicable	Not applicable
	Partial or full write-off as per regulation, at option of regulator	Partial or full write-off as per regulation, at option of regulator
	PONV as defined by regulator	PONV as defined by regulator
	Partial or full, as deemed required by regulator	Partial or full, as deemed required by regulator
	Permanent as per G7/2013	Permanent as per G7/2013
	Not applicable	Not applicable
	Any amounts due and payable to Senior Creditors	Tier 1 instruments
	No	No
	Not applicable	Not applicable

ANNEXURE

6

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
OVA – Bank risk management approach		
Our risk management objectives and policies are disclosed in relation to 10 key risks as highlighted by the board of directors. The requirements of table OVA are therefore discussed in relation to these 10 key risks.		
(a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board	Credit risk	17
	Investment risk	43
	Traded market risk	47
	Balance sheet risk	51
	Liquidity risk	51
	Reputational risk	65
	Legal risk	65
	Conduct risk	66
	Capital management risk	68
	Operational risk	61
	Summary of risks during year in review	11
	Overview of our principal risks	16
(b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function)	Credit risk	17
	Investment risk	43
	Traded market risk	47
	Balance sheet risk	51
	Liquidity risk	51
	Reputational risk	65
	Legal risk	65
	Conduct risk	66
	Capital management risk	68
	Operational risk	61
(c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions)	*Applies to all key risks:*	
	Philosophy and approach to risk management	11
	Risk framework, committees and forums	16
	Risk management framework	
(d) The scope and main features of risk measurement systems	Group risk management objectives	16
(e) Description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure	Risk assessment and reporting	16
(f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management)	Stress testing framework	
	Summary of investments held and stress testing analysis	19
	Capital stress testing scenarios	43
	Stress testing is used as a mitigation technique against some of the key risks identified and is discussed in the mitigation section referenced below	70

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
OVA – Bank risk management approach (continued)		
(g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants	Credit risk	17
	Investment risk	43
	Traded market risk	47
	Balance sheet risk	51
	Liquidity risk	51
	Reputational risk	65
	Legal risk	65
	Conduct risk (mitigation techniques discussed as part of operational risk)	66
	Capital management risk	68
	Operational risk	61
LIA – Explanations of differences between accounting and regulatory exposure amounts		
(a) Banks must explain the origins of any significant differences between amounts in columns (a) and (b) in LI1	Refer to table LI1	76
(b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2	Refer to table LI2	80
(c) In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable	Property valuations	44
Disclosure must include: • Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used • Description of the independent price verification process • Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument)	Valuation and accounting methodologies	44
LIQA – Liquidity risk management		
(a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.		51
(b) Funding strategy, including policies on diversification in the sources and tenor of funding, and whether the funding strategy is centralised or decentralised.		52
(c) Liquidity risk mitigation techniques.		52
(d) An explanation of how stress testing is used.		52
(e) An outline of the bank's contingency funding plans.		54

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
CRA – Banks must describe their risk management and policies for credit risk focusing in particular on:		
(a) How the business model translates into the components of the bank's credit risk profile	Credit and counterparty risk management	25
(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits		
(c) Structure and organisation of the credit risk management and control function		
(d) Relationships between the credit risk management, risk control, compliance and internal audit functions		
(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors		
CRB – Additional disclosure related to the credit quality of assets		
(a) The scope and definitions of 'past due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes	Asset quality analysis – credit risk classification and provisioning policy	38
(b) The extent of past due exposures (more than 90 days) that are not considered to be impaired and the reasons for this		
(c) Description of methods used for determining impairments		
(d) The bank's own definition of a restructured exposure and a breakdown of restructured exposures between impaired and not impaired exposures	*The SARB has standardised the definition of a restructured exposures in Banks Act Directive 7 of 2015.* *The group defines a restructure as an exposure, approved by the relevant credit committee, where a concession was granted to the obligor owing to a deterioration in the obligor's financial condition.* *The SARB directive on the categorisation and treatment of restructured loans has been implemented by the group. Impairments and asset quality reporting of restructured exposures are in line with the group's credit risk classification and provisioning policy as tabled on page 19*	n/a
(e) Breakdown of exposures by geographical areas, industry and residual maturity	Gross on balance sheet exposure by industry and residual maturity	29
(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry	An analysis of our core loans and advances, asset quality and impairments	36
(g) Ageing analysis of accounting past due exposures	An age analysis of past due and default core loans and advances to customers	36

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
CRC – Qualitative disclosure requirements related to credit risk mitigation techniques		
(a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting	Credit risk mitigation	25
(b) Core features of policies and processes for collateral	Credit risk mitigation	25
(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)	Credit risk mitigation Collateral	25 26
CRD – Qualitative disclosures on banks' use of external credit ratings under standardised approach for credit risk		
(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;	Management and measurement of credit and counterparty risk	25
(b) The asset classes for which each ECAI or ECA is used		
(c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book		
(d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply)	*The SARB has published a standard mapping table with which the bank has to comply*	36
CRE – Qualitative disclosures related to IRB models		
Not applicable as the bank follows the standardised approach for credit risk		
Quantitative disclosures not relevant to Investec Bank Limited group		
The following tables are not relevant as the bank follows the standardised approach for credit risk: CR9 – IRB – Backtesting of probability of default (PD) per portfolio CCR7 – RWA flow statements of CCR exposures under the internal model method (IMM) TLAC1 –TLAC composition for G-SIBs (at resolution group level) TLAC2 – Material subgroup entity – creditor ranking at legal entity level TLAC3 – Resolution entity – creditor ranking at legal entity level KM2 – Key metrics – TLAC requirements (at resolution group level) GSIB1 – Disclosure of G-SIB indicators SEC2 – Securitisation exposures in the trading book		
CCRA – Qualitative disclosures related to counterparty credit risk including:		
(a) Risk management objectives and policies related to counterparty credit risk	Credit and counterparty risk management	25
(b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures	Credit and counterparty risk appetite	15
(c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs	Credit risk mitigation	25
(d) Policies with respect to wrong-way risk exposures	Credit and counterparty risk management	17
(e) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade	Philosophy and approach to risk management	17

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
SECA – Qualitative disclosure requirements related to securitisation exposures		
Banks must describe their risk management objectives and policies for securitisation activities and main features of these activities according to the framework below. If a bank holds securitisation positions reflected both in the regulatory banking book and in the regulatory trading book, the bank must describe each of the following points by distinguishing activities in each of the regulatory books.		
(a) The bank's objectives in relation to securitisation and resecuritisation activity, including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the bank to other entities, the type of risks assumed and the types of risks retained	Securitisation/structured credit activities exposures	45
(b) The bank must provide a list of: • special purpose entities (SPEs) where the bank acts as sponsor but not as an originator such as an Asset Backed Commercial Paper (ABCP) conduit, indicating whether the bank consolidates the SPEs into its scope of regulatory consolidation • affiliated entities (i) that the bank manages or advises and (ii) that invest either in the securitisation exposures that the bank has securitised or in SPEs that the bank sponsors • a list of entities to which the bank provides implicit support and the associated capital impact for each of them (as required in paragraphs 551 and 564 of the securitisation framework)	Securitisation/structured credit activities exposures	46
(c) Summary of the bank's accounting policies for securitisation activities		
(d) If applicable, the names of external credit assessment institutions (ECAIs) used for securitisations and the types of securitisation exposure for which each agency is used		
(e) If applicable, describe the process for implementing the Basel internal assessment approach (IAA)	*The bank applied the look through approach to exposures where relevant and did not make use of the IAA.*	n/a
(f) Banks must describe the use of internal assessment other than for IAA capital purposes		
MRA – Qualitative disclosure requirements related to market risk		
Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):		
(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges	Market risk in the trading book	47
(b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management		
(c) Scope and nature of risk reporting and/or measurement systems		

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
MR4 – Comparison of VaR estimates with gains/losses		
Present a comparison of the results of estimates from the regulatory VaR model with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the backtesting exceptions, and to give an analysis of the main outliers in backtested results, as per Annex 10a part II of the Basel framework	VaR	150
Operational risk		
(a) In addition to the general qualitative disclosure requirement (paragraph 824), the approach(es) for operational risk capital assessment for which the bank qualifies	Capital management and allocation	61
(b) Description of the advanced measurement approaches for operational risk (AMA), if used by the bank, including a discussion of relevant internal and external factors considered in the bank's measurement approach. In the case of partial use, the scope and coverage of the different approaches used	*Not disclosed as the bank follows the standardised approach for operational risk*	
(c) For banks using the AMA, a description of the use of insurance for the purpose of mitigating operational risk		
Interest rate risk in the banking book		
(a) The general qualitative disclosure requirement (paragraph 824), including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement (b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)	Non-trading interest rate risk description Management and measurement of non-trading interest rate risk Interest rate sensitivity gap	56 56 57
REMA – Remuneration policy		
(a) Information relating to the bodies that oversee remuneration. Disclosures should include: • Name, composition and mandate of the main body overseeing remuneration. • External consultants whose advice has been sought, the body by which they were commissioned, and what areas of the remuneration process. • A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. • A description of the types of employees considered as material risk-takers and as senior managers. (b) Information relating to the design and structure of remuneration processes. Disclosures should include: • An overview of the key features and objectives of remuneration policy. • Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration. • A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	124 – 138 of the Investec Bank Limited group and company annual financial statements 2020.	124 – 138

REQUIREMENT	KEY RISK/SECTION OF KEY RISK	PAGE NUMBER
REMA – Remuneration policy (continued)		
(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration.	124 – 138 of the Investec Bank Limited group and company annual financial statements 2020.	124 – 138
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include: • An overview of main performance metrics for bank, top-level business lines and individuals. • A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. • A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics.		
(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include: • A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.		
(f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: • An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms). • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.		

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