Investec

OUT OF THE ORDINARY

Built on strong foundations

Investec Bank Limited
group and company
annual financial statements

Page references
Refers readers to information elsewhere in this report

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

Group sustainability
Refers readers to further information in our 2021 group sustainability and ESG supplementary report available on our website: **www.investec.com**

Reporting standard
Denotes our consideration of a reporting standard

Feedback
We value feedback and invite questions and comments on our reporting. To give feedback please contact our Investor Relations division.

For queries regarding information in this document:

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www.investec.com/en_za/welcome-to-investec/about-us/investor-relations.html

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Overview of the activities of Investec Bank Limited

OVERVIEW OF THE ACTIVITIES OF INVESTEC BANK LIMITED

Specialist Banking

Our specialist teams are well positioned to provide solutions to meet private, business, corporate and institutional clients' needs. Each business provides specialised products and services to defined target markets.

What makes us distinct?
- Voted 'Best Private Bank & Wealth Manager' 2020 by London's Financial Times (8 years in a row)
- High-quality specialist banking solutions to corporate and private clients with leading positions in selected areas
- Provision of high-touch personalised service with the ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Focus on helping our clients create and preserve wealth	**A highly valued partner and adviser to our clients**
High-income and high net worth private clients	**Corporates/government/institutional clients**

Private client banking activities

Private Banking
- Transactional banking
- Lending
- Property finance
- Savings

Corporate, investment banking and other activities

Corporate and Institutional Banking
- Specialised lending
- Treasury and trading solutions
- Institutional research, sales and trading
- Life assurance products^

Investec for Business
- Import and trade finance lending
- Cash flow lending
- Asset finance

Investment Banking and Principal Investments
- Principal investments
- Advisory
- Debt and Equity Capital Markets

Natural linkages between the private client and corporate business

^ Investec Life, which houses these products, is operationally part of Corporate and Institutional Banking although legally it is a subsidiary of Investec Limited.

Group Investments

We have separated these assets from our core banking activities to make a more meaningful assessment of the underlying performance and value of the franchise businesses, while providing transparency over the standalone values of the assets classified as Group Investments.

The assets include the 47.4% stake in the Investec Equity Partners (IEP) Group, 21.9% held in the Investec Property Fund (IPF) and some historical unlisted equity investments.

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Corporate governance

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Within this report you will find:

GOVERNANCE FRAMEWORK

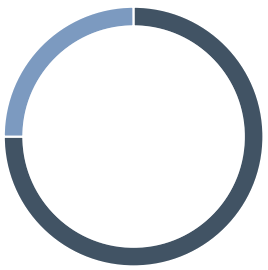
Who we are

Director biographies
Biographies of our current directors are outlined below, including their relevant skills and experience, key external appointments and any appointments to board committees.

Committee membership key

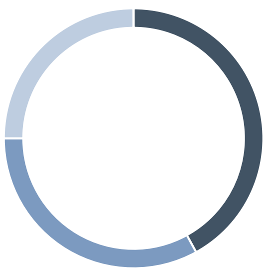
- A IBL Audit Committee
- B IBL BRCC
- R IBL Remuneration Committee
- C DLC Audit Committee
- D DLC BRCC
- N DLC Nomdac
- S DLC SEC
- Denotes Committee Chair

Gender diversity



Male	9
Female	3

Age



44-53	42.0 %
54-63	33.0 %
64-73	25.0 %

Khumo L Shuenyane

Chair

B D N R S

Date of appointment
8 August 2014

Age: 50

Qualifications: BEcon,CA (England and Wales)

Relevant skills and experience
Khumo's previous experience includes audit manager at Arthur Anderson, almost a decade at Investec Bank in corporate finance and principal investments and head of mergers and acquisitions at MTN Group Limited. Khumo serves on the boards of a number of other companies within the Investec Group, including Investec Limited, Investec Plc, Investec Bank Limited (IBL), Investec Life Limited and Investec Property Fund Limited. He was appointed chair of Investec Bank Limited in 2018. Khumo brings strong industry expertise to the board, as well as telecoms, media and technology experience.

External appointments
Vodacom Group Limited

David M Lawrence

Deputy chair

Date of appointment
1 July 1997

Age: 70

Qualifications: BA (Econ) (Hons), MCom

Relevant skills and experience
David's early career was spent as an Economist at the Chamber of Mines (South Africa), subsequently working for the office of the Economic Adviser to the Prime Minister. He joined CitiBank (South Africa) in 1977, eventually becoming chair and managing director. In 1987, First National Bank acquired CitiBank's business and it became FirstCorp Merchant Bank where David held the position of managing director. David joined Investec in 1996 as managing director, Corporate and Investment Banking. He brings to the board a valuable combination of knowledge and experience.

External appointments
None

Zarina BM Bassa

Independent non-executive director

A B C D N R

Date of appointment
1 November 2014

Age: 57

Qualifications: BAcc, DipAcc, CA(SA)

Relevant skills and experience
Zarina's previous appointments include partner of Ernst & Young, executive director of Absa Bank and head of Absa Private Bank, chair of the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board. She has also been a member of the Accounting Standard Board, and a non-executive director of the Financial Services Board, the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Mercedes South Africa and Vodacom South Africa Proprietary Limited. This background affords significant audit and risk experience, and financial, leadership, banking, and regulatory reporting skills.

External appointments
JSE Limited, Oceana Group Limited, YeboYethu Limited (until 27 July 2021) and Woolworths Holdings Limited

David Friedland

Independent non-executive director

B D N

Date of appointment
1 March 2013

Age: 67

Qualifications: BCom, CA(SA)

Relevant skills and experience
David's previous appointments include international partner of Arthur Anderson and partner of KPMG, where he was head of audit and risk, and the lead audit partner for several listed companies. Through this experience and his non-executive board activities, he brings extensive risk and audit experience, and regulatory reporting skills.

External appointments
The Foschini Group Limited and Pick n Pay Stores Limited

GOVERNANCE FRAMEWORK

Philip A Hourquebie

Independent non-executive director

A B C D N R

Date of appointment
12 December 2018

Age: 67

Qualifications: BCom, BAcc, CA(SA)

Relevant skills and experience
Philip has substantial international advisory experience, gained through a long career at Ernst & Young, where he held various positions, including managing partner for the Central and South East Europe as well as the Africa regions. This career experience, in conjunction with his time as chair of the South African Institute of Chartered Accountants, brings deep finance, strategic and operational experience.

External appointments
Aveng Limited

Morris Mthombeni

Independent non-executive director

B S

Date of appointment
2 March 2020

Age: 47

Qualifications: BJuris, BProc, LLB, MBA, PhD

Relevant skills and experience
Morris has extensive commercial, strategic, governance and advisory related experience in finance and law. Morris is the interim Dean at the Gordon Institute of Business Sciences, a position he has held since 01 July 2020. Morris joined GIBS in 2014 where he rose to be the lead faculty member in the fields of corporate governance and corporate strategy. He was appointed as executive director of faculty in 2017. Morris plays a leading role in higher education at an international stage. To this end, he serves on the UN Principle of Responsible Management Education (PRME) Global Chapter Council as well as being a member of the Academy of International Business (AIB) Deans Roundtable. Previously, Morris held several senior positions in the financial services.

External appointments
Standard General Insurance Company Limited and Relyant Life Assurance Company Limited

Vanessa Olver

Independent non-executive director

A B

Date of appointment
20 May 2021

Age: 48

Qualifications: BCom, HDipAcc, HDipTax, CA(SA), CPA (USA)

Relevant skills and experience
Vanessa is a chartered accountant, who prior to her appointment as a non-executive director of Investec Bank Limited, served as the Chief Enablement Officer for Absa Regional Operations. She has substantial leadership credentials and brings a wealth of banking, finance, governance and technology related experience.

External appointments
None

Mvuleni G Qhena

Independent non-executive director

A B R

Date of appointment
2 March 2020

Age: 55

Qualifications: BCompt (Hons), CA(SA), Advanced Tax Certificate, SEP

Relevant skills and experience
Geoffrey served as the chief executive officer and managing director of the Industrial Development Corporation (IDC) of South Africa Limited from 2005 to 2018, having previously served as its chief financial officer between 2003 and 2005. He was with the IDC for twenty years. Geoffrey completed his articles with KPMG, lectured at the University of Johannesburg and acted as senior manager of restructuring for Transnet Group. This industry experience demonstrates his wealth of strategic, risk and financial advisory skills.

External appointments
Exxaro Resources Limited, South African Airways SOC Limited

Richard J Wainwright

Chief Executive

B

Date of appointment
1 February 2016

Age: 57

Qualifications: BCom (Hons), CA(SA), CTA

Relevant skills and experience
Richard started the Financial Products and Project Finance divisions in 1996 and was appointed as head of the Corporate and Institutional Banking division in 2003. He brings investment banking, trading, risk management and industry expertise to the board.

External appointments
Banking Association of South Africa (BASA)

Stuart C Spencer*

Chief Financial Officer

Date of appointment
14 May 2019

Age: 52

Qualifications: BCom, DipAcc, CA(SA)

Relevant skills and experience
Stuart completed his articles at Deloitte & Touche in Johannesburg in 1994, and spent the next few years based in the UK, contracting to major international banks and travelling around the world. He joined Investec Bank Limited in January 2000, and in 2004 was appointed as chief financial officer of Investec Corporate & Institutional Banking (ICIB). In January 2006 he took on the role of chief operating officer (COO) of ICIB, a position he held until March 2012. In March 2012 he was appointed as COO of Investec Specialist Bank, where his responsibilities include finance functions, responsibility for Information Technology, Facilities, Operations and Project delivery. In April 2021, he stepped down as Chief Financial Officer of Investec Bank Limited but continues to serve as COO.

External appointments
None

Committee membership
None

* Resigned as Chief Financial Officer and executive director of Investec Bank Limited effective from 8 April 2021

GOVERNANCE FRAMEWORK

Fani Titi

Executive director

B D S

Date of appointment
3 July 2002

Age: 57

Qualifications: BSc Hons (cum laude) in Mathematics, MA, MBA

Relevant skills and experience
Fani has been a member of the Investec Bank Limited board from July 2002. He has also been a member of the Investec Limited board since January 2004 and was non-executive chair from November 2011 until May 2018. His experience of stakeholder engagement and experience with Investec makes him an excellent source of knowledge for the board. Fani brings strong banking and commercial expertise to the board. He has served on a number of boards and joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD).

External appointments
Ninety One plc

Marlé van der Walt*

Chief Financial Officer

B

Date of appointment
08 April 2021

Age: 45

Qualifications: BAcc (cum laude), BAcc Hons (cum laude), CA(SA)

Relevant skills and experience
Marlé joined Investec Bank Limited in 2010 as the Chief Audit Executive. In 2013, she took up the role of CFO with the Private Bank & Central IT divisions of Investec Bank Limited and was appointed as Head Basel Advanced Internal Ratings-Based (AIRB) Programme, a role which she fulfilled concurrently with the former. In 2019, she took up the role of CFO for Specialist Bank and joined the Specialist Bank Exco. Prior to the above, Marlé completed her articles at PwC in Durban in 2000, and went on to serve as an Audit Manager at the same firm. She also worked for two of South Africa's major retail banks before joining Investec Bank Limited. Marlé has substantial banking, finance, risk and audit related knowledge and expertise. She was appointed as Chief Financial Officer of Investec Bank Limited in April 2021.

External appointments
None

* Appointed as Chief Financial Officer of Investec Bank Limited effective from 8 April 2021

GOVERNANCE FRAMEWORK

Meeting attendance
The board of Investec Bank Limited met ten times during the financial year. Special meetings are called on an ad hoc basis. The Chair is responsible for setting the agenda for each meeting, in consultation with the Chief Executive and the company secretary. Comprehensive information packs on matters to be considered by the board are provided to directors in advance.

				Investec Bank Limited board (ten meetings in the year)	
Members	**Independent**	**Date of appointment**	**Date of resignation**	**Eligible to attend**	**Attended**
Executive directors					
Richard J Wainwright (Chief Executive)	No	1 February 2016		10	10
Stuart C Spencer* (former Chief Financial Officer)	No	14 May 2019	8 April 2021	10	10
Fani Titi (Group Chief Executive)	No	3 July 2002		10	10
Marlé van der Walt** (Chief Financial Officer)	No	8 April 2021		0	0
Non-executive directors					
Khumo L Shuenyane (Chair)	Yes	8 August 2014		10	10
David M Lawrence (Deputy Chair)	No	1 July 1997		10	10
Zarina BM Bassa	Yes	1 November 2014		10	10
David Friedland	Yes	1 March 2013		10	10
Philip A Hourquebie	Yes	12 December 2018		10	10
Morris Mthombeni	Yes	2 March 2020		10	10
Vanessa Olver***	Yes	20 May 2021		0	0
Peter RS Thomas****	Yes	1 July 1997	6 August 2020	4	4
Mvuleni G Qhena	Yes	2 March 2020		10	10

* Stuart C Spencer resigned as a director of Investec Bank Limited effective 08 April 2021
** Marlé van der Walt was appointed as a director of Investec Bank Limited effective 08 April 2021. Prior to this, Marlé was not eligible to attend any meetings as member but did, however, attend all the meetings as an invitee during the 2021 financial year
*** V Olver was appointed as a director of Investec Bank Limited effective 20 May 2021 and was therefore not eligible to attend any meetings for the 2021 financial year
**** PRS Thomas resigned as a director of Investec Bank Limited effective 06 August 2020

Other regular attendees
- Head of risk
- Chief operating officer
- Heads of key business units
- Head of human resources
- Head of corporate governance and compliance

Company secretary
Niki van Wyk is the company secretary of IBL. The company secretary is professionally qualified and has gained experience over a number of years. Her services are evaluated by board members during the annual board evaluation process.

In compliance with the King IV Code and the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent, has the relevant qualifications and experience and maintains an arm's-length relationship with the board. In addition, the board confirms that for the period 1 April 2020 to 31 March 2021 the company secretary did not serve as a director on the board nor did she take part in board deliberations and only advised on matters of governance, form or procedure.

Governance framework
Investec Bank Limited is a wholly owned subsidiary of Investec Limited. Investec operates under a dual listed company (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the higher standard for the group, which also complies with requirements in both jurisdictions.

From a legal perspective, the DLC is comprised of:

- Investec plc – a public company incorporated in the UK and listed on the London Stock Exchange (LSE) with a secondary listing on the JSE; and
- Investec Limited – a public company incorporated in South Africa and listed on the JSE, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange.

In May 2020, the bank also formed an independent Remuneration Committee to further strengthen the independence of the bank.

The bank will continue to refine its governance structures, to ensure that it continues to operate with an appropriate level of independence and autonomy within the context of the wider Investec group.

Details of the governance framework of the Investec group can be found on page 85 of volume 1 of Investec group's 2021 integrated annual report.

CHAIR'S INTRODUCTION

I am pleased to present the annual corporate governance report for the year ended 31 March 2021, which describes our approach to corporate governance.

Before going into the details of our governance process, I would like to reflect on the board's achievements over the past year, the challenges faced and the key areas of focus for the year ahead.

The past year in focus

Unprecedented times

It has been an unprecedented period for the bank and South Africa, characterised by a difficult trading environment, SA policy uncertainty and resultant depressed business confidence. This was exacerbated by the sudden and extreme COVID-19 related dislocation in global markets, particularly in the first half of the financial year. Despite this volatile environment IBL demonstrated great resilience maintaining a strong operational environment with the majority of staff working from home and a robust balance sheet throughout the year.

Reaffirming Investec's purpose of creating enduring worth, living in and not off society, we acted decisively to support employees, communities, clients, and government through this crisis. Our priorities continued to be centered around employees' and clients' well-being. We focused on ensuring business continuity, supporting community partners and projects, and partnering with staff and clients to amplify impact and extended our hand to the most vulnerable communities by focusing on food security, healthcare, economic continuity and education.

The board, management and staff have done a commendable job under extremely challenging circumstances.

Board succession

The composition, balance, skills, knowledge and experience of the board were considered and reviewed to ensure that they remain appropriate since the previous review. The changes that have been implemented have sought to ensure that the board has a majority of non-executive directors and that the majority of non-executive directors are independent. The board also sought to ensure that there is an appropriate balance of independent directors who serve only on the Investec Bank Limited board, and independent directors who also serve on the group board.

To this end, the board has appointed an additional independent non-executive director, Vanessa Olver, who brings a variety of skills, including IT and diversity, to the board.

The role of executives also changes from time to time. Given Stuart Spencer's new role as the Chief Operating Officer of the group, he resigned from his role as Investec Bank Limited Financial Director effective 8 April 2021. The board appointed Marlé van der Walt, Chief Financial Officer of the Specialist Bank, as his replacement, effective on the same date.

Diversity

In accordance with our commitment to diversity and aligned with our board diversity policy, our approach to recruiting new board and senior management members is cognisant of the need to ensure a diverse board.

Testament to our commitment, we have improved racial diversity on our board in the previous financial year, and the directors that joined our board recently have enhanced our gender diversity.

Our commitment to the spirit and letter of the diversity protocols in the King IV™ Code is steadfast.

Board effectiveness

Investec Bank Limited has a policy that governs the evaluation of the performance of the board of directors, and its committees, the Chair and individual directors pursuant to the provisions of the King IV™ Code. This policy is available on the website https://www.investec.com/en_za/legal/SA.html

The findings of the 2020 effectiveness review were collated and presented at the February 2021 meetings of the DLC Nomdac and the board. The strengths of the board were considered to be board governance, leadership, board composition and balance, whilst the areas where the board could improve were considered to be the setting of performance objectives, performance monitoring and oversight of culture. The board, with the assistance of the DLC Nomdac, will continue to monitor the actions taken in response to the board effectiveness review as the year progresses.

Governance

In the last financial year, governance remained an area of focus in light of the challenges brought about by COVID-19. We continue to ensure that we are aligned and compliant with the requirements of the King IV™ Code. The full details of our compliance to the King IV™ Code can be found on page 84 of the Investec group 2021 integrated annual report - DLC Volume 1

Directors and executive management are included in the conflicts of interest policy which addresses how conflicting interests are identified and managed or avoided. The policy is available on the website https://www.investec.com/en_za/legal/SA.html

The year was marked by increased expectations for good corporate citizenship and enhanced stakeholder engagement in light of the COVID-19 pandemic. To this end, the board met more frequently during the year to review the appropriateness of Investec Bank Limited's response to the challenges brought about by the pandemic.

An increased focus on stakeholder engagement prevailed throughout the period; the expectation is that this trend will continue. Regulatory engagement increased. We are particularly proud that Richard Wainwright was appointed as Chair of BASA, as this will enhance our industry engagement.

Culture

The onset of the COVID-19 pandemic in early 2020 was a testing time as we could not engage face to face with our clients or with our people. The pandemic necessitated a switch to a remote and virtual world for our entire business, in a very short time. While this was indeed uncharted territory, the speed at which our businesses adapted to the changes was impressive. Our IT and operational risk environments proved resilient and innovative, achieving a near seamless transition from our physical world to the virtual world. With the stop-start economy and varying waves of COVID-19 infections in 2021, and continued closure of offices and schools, we focused heavily on the wellbeing of employees. The various support initiatives available to our employees are continually refined to respond to the changing needs emerging from the pandemic. Digital fatigue, interpersonal relationship difficulties and bereavement were the main psychological themes presented during the period. The compassion and care shown for our people by our leaders and colleagues alike demonstrates our lived culture and has created an environment for the business to thrive despite the challenges faced.

CHAIR'S INTRODUCTION
CONTINUED

The year ahead

While there is a greater sense of optimism as the vaccine rollout progresses in South Africa, the country remains vulnerable to a third wave of infections and lockdown restrictions that could negatively impact the recovery of the economy.

However, IBL is geared for growth and recovery. Our key focus is to support our clients and the wellbeing of our people and create value as we take the business forward. We continue to track performance against our strategic objectives and are excited about the momentum we are seeing across the business.

Investec is committed to the creation of financial, social and environmental value in a sustained manner in achieving its sustainability goals. We are active participants in the Sustainable Development Goals (SDGs) and welcome the work being done to shine a light on some of the crucial interconnected elements of sustainable development in South Africa. For further details please refer to the group's sustainability and ESG supplementary report available on our website.

Conclusion

This past financial year was extraordinary in many ways. I would like to express my deep gratitude and appreciation to the board and employees of Investec Bank Limited for their unwavering commitment and resilience.

We remain committed to our strategic objectives and growth initiatives. The fundamental strengths of our business model have been evidenced throughout the crisis and our operational resilience leaves us well placed to continue helping our clients, employees and communities thrive as they emerge from the crisis, and over the long term.

Khumo Shuenyane
23 June 2021

BOARD COMMITTEES

Board committees

Certain DLC (combined) board committees of Investec Limited and Investec plc act as the board committees of Investec Bank Limited as well. The reports by the chairs of these committees can be found in the corporate governance report of the Investec group 2021 integrated annual report.

Issues specific to Investec Bank Limited were considered at each meeting of the various committees and the Investec Bank Limited board received a report on the proceedings of the committees at each of their meetings.

Investec Bank Limited board members representation at the group committees ensures that key matters for Investec Bank Limited and its subsidiaries are visible at the group level, and likewise matters of mutual interest for the group and Investec Bank Limited are communicated and addressed, where applicable, in Investec Bank Limited and its subsidiaries.

Social and Ethics Committee

In terms of the South African Companies Act 71 of 2008 (as amended) (Companies Act), the chair of the Social and Ethics Committee (SEC) should report to stakeholders on the matters within its mandate. The DLC SEC performs the necessary functions required on behalf of Investec Bank Limited. Four members of the Investec Bank Limited board are members of DLC SEC.

For further details on the role of the Committee refer to pages 97 to 99 of the Investec group 2021 integrated annual report – DLC Volume 1.

Nominations and Director's Affairs Committee

The DLC Nominations and Directors' Affairs Committee (DLC Nomdac) currently acts as the Nomdac for the group (including Including Bank Limited). The DLC Nomdac also undertakes the duties of a Directors' Affairs Committee as required by the Banks Act. Four members of the Investec Bank Limited board are members of DLC Nomdac.

The report from the DLC Nominations and Directors' Affairs Committee can be found on pages 94 to 96 of the Investec group 2021 integrated annual report – DLC Volume 1.

Remuneration Committee

In May 2020, the bank formed an independent Remuneration Committee.

Further details on the role of the Committee are contained on pages 26 to 27 of this report.

IBL AUDIT COMMITTEE REPORT

Zarina Bassa
Chair of the IBL Audit Committee

"The Committee believes that audit quality is essential to the fulfilment of the objectives of an effective and credible external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information."

Members	Member since	Meetings attended	Eligible to attend
Zarina BM Bassa (chair)	1 November 2014	9	9
Philip A Hourquebie	12 December 2018	9	9
Mvuleni G Qhena	2 March 2020	9	9
Vanessa Olver*	20 May 2021	0	0

* V Olver was appointed as a director of Investec Bank Limited effective 20 May 2021 and was therefore not eligible to attend any meetings for the 2021 financial year.

Introduction
The IBL Audit Committee (the Committee) is pleased to present its report for the financial year ended 31 March 2021. This report is intended to provide details on how the Committee satisfied its various statutory obligations, as well as on the key audit matters considered during the period. The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2020/2021 annual report and financial statements.

This report has been prepared based on the requirements of the Companies Act, the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Listings Requirements and other applicable regulatory requirements.

COVID-19 pandemic
The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and business across all industries. There is a significant degree of uncertainty about the further spread of the virus, the timing of the vaccine roll out and the further impact it will have on the world economy.

COVID-19 was a significant area of focus for the Committee during the year, specifically evaluating the impact of the pandemic on the:

- Integrity of internal controls
- Going concern of the bank
- Expected credit loss (ECL) assessment
- Impairment of investments not measured at fair value
- Fair value measurement of complex/illiquid assets
- Impact on the quality of earnings.

Against this backdrop, the bank remained profitable and capital ratios remained strong. Furthermore, liquidity within the bank continued to be managed at conservative levels. Asset quality remained good, with the bank active in providing COVID-19-related relief to clients where considered appropriate from an ongoing risk management and client relationship perspective.

Audit quality and independence
Business failures throughout global economies continue to place an increased focus on auditor independence, integrity, sufficient levels of professional scepticism of external audit, audit quality reviews and other oversight mechanisms.

The Committee treated this as a key audit matter and critically evaluated audit quality, effectiveness, independence and audit rotation requirements.

The Committee believes that audit quality is essential to the fulfilment of the objectives of a credible and effective independent external audit. Consistent and sustainable high audit quality contributes to ensuring the continued relevance and value of audit and assurance services, which in turn are essential in providing trust and confidence to the users of financial information.

Role of the Committee
The IBL Audit Committee is an essential part of the bank's governance framework to which the board has delegated the following key functions:

- Overseeing the bank's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- Reviewing the bank's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of the bank's internal audit functions
- Oversight of the bank's compliance
- Overseeing the bank's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with the bank's external auditors, including the quality control, effectiveness and independence of the external audit function
- Approving the fees to be paid to external auditors
- Managing the level and nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside the bank regarding accounting, reporting and financial control.

Further detailed responsibilities are in the terms of reference of the Committee as available on the website, www.investec.com.

IBL AUDIT COMMITTEE REPORT
CONTINUED

Committee composition, skills, experience and operation
The Committee is comprised entirely of independent non-executive directors who meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nomdac, which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the Committee has the appropriate balance of knowledge and skills to discharge its duties.

Further details of the experience of the members can be found in their biographies on pages 6 to 8.

The chief executive, the bank's chief financial officer (CFO), the COO, the chief risk officer (CRO), the head of internal audit, the chief compliance officer and representatives from the joint external auditors are invited to attend all meetings. Other members of management are invited to attend meetings to provide the Committee with greater insights into specific issues or areas of the group.

The Chair has regular contact with the management team to discuss relevant matters directly. The internal and external auditors have direct access to the Chair, including closed sessions without management during the year, on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities. The Chair meets with internal audit and the joint external auditors prior to Committee meetings and at other times as considered necessary by either party.

Structure of the Investec group's Audit committees
In terms of the DLC structure, the DLC board has mandated authority to the DLC Audit Committee to be the Audit Committee of the Investec group. The DLC Audit Committee oversees and considers group audit-related matters and has responsibility for audit-related matters that are common to Investec plc and Investec Limited, and works in conjunction with these two committees to address all group reporting.

The Investec plc board has mandated authority to the Investec plc Audit Committee, and the Investec Limited board has mandated authority to the Investec Limited Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP board has mandated authority to the IBP Audit Committee and the IW&I (UK) board has mandated the IW&I (UK) Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees report to the Investec plc Audit Committee. The IBL board has mandated authority to the IBL Audit Committee and the IW&I (South Africa) board has mandated the IW&I (South Africa) Audit Committee to be the Audit Committee of the companies and their subsidiaries. The IBL and IW&I (South Africa) Audit Committees report to the Investec Limited Audit Committee.

The committee receives regular reports from the bank's subsidiary Audit Committees as part of the oversight of subsidiary Audit Committees.

The Chair is also the chair of the following Audit Committees:

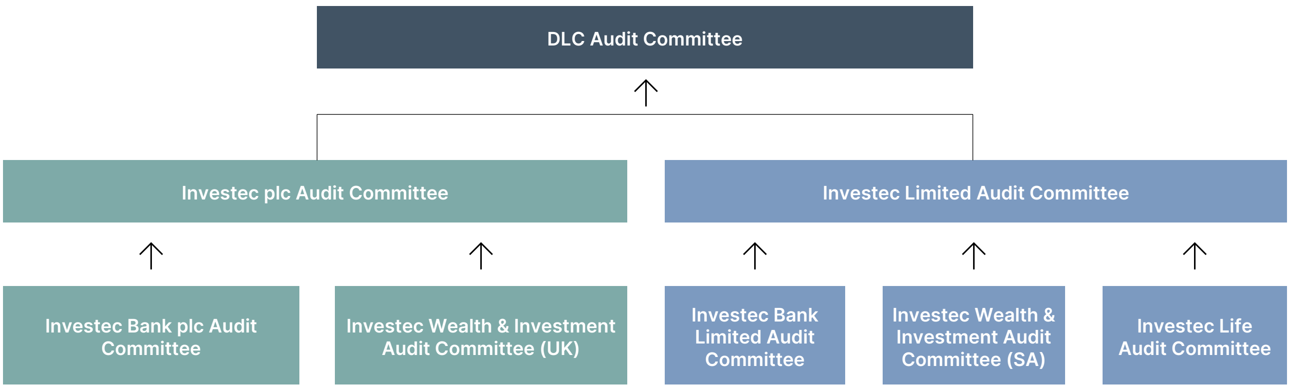
- DLC
- Investec plc
- Investec Limited
- Investec Bank Mauritius (IBM).

The Chair is also a member of the following Audit Committees:

- Investec Bank plc (IBP)
- Investec Life.

The IBL Audit Committee Chair attends the following committee meetings:

- Prudential Conduct and Control Committee
- Operational Risk Committee
- IT Risk and Governance Committee.



IBL AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the IBL Audit Committee
During May and November, meetings were held to approve financial results. These meetings were held at a DLC group level and were classified as DLC Audit Committee meetings. The DLC Audit Committee result meetings were supplemented by dedicated meetings of the IBL and IBM Audit Committees.

The following is a summary of the meetings held by the Committee during the financial year.

2020

April
- Received a report from group finance on all key matters to be considered in the finalisation of the bank's results including:
  - COVID-19 impact and assumptions
  - Key judgement and assumptions
  - ECL and Fair Value Loans
  - Going concern
  - Investment valuations
- Discussed the financial results for the year ended 31 March 2020
- Received a report from external audit on all key matters including:
  - The audit status and key findings
  - Outstanding matters
  - Valuation of level 3 instruments
  - ECL model observations

May
- Received updates in respect of outstanding matters to be considered in the finalisation of the Investec Bank Limited results
- Considered the schedule of audit differences
- Received and considered an updated report from external audit on the conduct and conclusions of the audit
- Reviewed the effectiveness of the finance function and chief financial officer
- Reviewed the effectiveness of the external audit function and the re-appointment of the external auditors
- Discussed audit quality and the results of cross-reviews
- Received an update from compliance

June
- Received an update on going concern, any post balance sheet events and all outstanding external audit matters
- Received updated reports from external audit
- Received confirmation from all Investec Bank Limited board sub-committees that they have signed off on their respective reports contained in the 2020 Investec Bank Limited annual report
- Approved the annual report and the financial statements

July
- Received and considered reports from all assurance providers
- Received an update in respect of the Targeted Attack Simulation (TAS) 4 review
- Received and considered updates from all operating subsidiary audit committees of Investec Bank Limited
- Received an update from the external auditors regarding the March 2020 management letter

September
- Received an update from external audit on the external audit plan and 2020 management letter
- Reviewed internal audit results of audit findings
- Received an update from group finance in respect of all contentious accounting matters, provisions and fair value adjustments which may affect the pre-close and half year results
- Received and considered updates from all operating subsidiary audit committees of Investec Bank Limited

November (Two meetings were held)
- Received an update in respect of the Investec Specialist Bank interim results
- Received confirmation from assurance providers that no matters were identified which could have an impact on the results of the bank
- Received an update from group finance and external audit in respect of the 2020 Investec Bank Limited interim results
- Assessed and approved the going concern assumption for the preparation of the interim results of the bank
- Approved the interim results announcements for Investec Bank Limited
- Received feedback on the South African Prudential Authority (PA) Trilateral meeting held in October 2020

2021

February
- Received and considered updates from all operating subsidiary audit committees of Investec Bank Limited
- Considered reports from each of the assurance providers including internal audit, compliance, operational risk and finance on the results of the quality assurance activities

March
- Conducted a detailed review of the key judgments and estimates in anticipation of the pre-close announcement
- Reviewed and approved the internal audit and annual compliance plans
- Received confirmation from assurance providers that no matters were identified which could have an impact on the annual results of the bank

IBL AUDIT COMMITTEE REPORT
CONTINUED

Areas covered by the IBL Audit Committee
Key audit matters
Key audit matters are those matters that in the view of the Committee:

- Required significant focus from the Committee
- Were considered to be significant or material in nature, requiring exercise of judgement; or
- Matters which were otherwise considered to be subjective from an accounting or auditing perspective.

Common membership of the DLC, Investec plc, Investec Bank plc, Investec Ltd and Investec Bank Limited Audit Committees ensures that key audit matters and matters of mutual interest are communicated and addressed, where applicable. The members of the Committee may also attend other audit committee meetings, as appropriate.

The following key audit matters were deliberated by the committee during the year:

Key audit matters	What we did
Impact of COVID-19 • The COVID-19 pandemic impacted the global economy and businesses across all industries	• Considered the known accounting and operational impact of COVID-19 on the economy and business, mitigating steps and the resulting impact on the applicability of the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements. The areas most impacted by COVID-19 include: – Going concern, including liquidity – ECL assessment (IFRS 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality, retail and property) – Impact on quality of earnings – Impact of work from home on the overall control environment and operational risk – The financial control environment • Fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures • Steps taken by the Committee to consider these disclosures are specifically addressed below
Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure: • For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental	• Received presentations on the material investments across the bank, including an analysis of the key judgements and assumptions applied, and approved the valuation adjustments proposed by management for the year ended 31 March 2021 • Challenged and debated significant subjective exposures and assumptions including: – The valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles – Fair value of exposures in industries highly affected by COVID-19 – The appropriateness of the IFRS 13 disclosures regarding fair value
Investments in associates • Evaluated the appropriateness of the carrying amount of investments in associates	• Received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across the bank, addressing the appropriateness of the carrying value of the investments and the impairment assessment performed by management. This included an analysis of the key judgements and assumptions applied • Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied
Going concern • The directors are required to confirm that they are satisfied that the bank has adequate resources to continue in business for the foreseeable future	• Considered reports on the bank's budgets and forecasts, profitability, capital, liquidity and solvency, scenario stress testing and the impact of legal proceedings, if any • Considered the results of various stress testing analysis based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec Bank Limited to continue as a going concern

IBL AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
ECL assessment • The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impact in South Africa have resulted in additional key judgements and assumptions being made during the current year	• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the bank • Reviewed and monitored the bank's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, and volatility. Specific review and consideration were given to the macro-economic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions • Assessed ECL experienced against forecast and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors highly impacted by COVID-19, and exposures which were specifically affected by the negative current macro-economic environment • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • Assessed the appropriateness of the ECL provision raised by the bank for large exposures in entities publicly perceived to be in financial distress • Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratios (CLR) and coverage ratios against relevant South African peers
Cyber reporting, IT systems and controls impacting financial reporting	• Received and reviewed reports and controls in respect of cyber reporting, IT systems and controls impacting financial reporting • Received regular minutes and reports from the DLC IT Risk and Governance Committee
External audit, audit quality and Mandatory Audit Firm Rotation (MAFR)	• Managed the relationship with the external auditors including their re-appointment • Deliberated the way forward in terms of auditor appointment with input from the executive team. Put in place a process for MAFR. Considered the appointment of new external auditors to commence shadowing one of the current joint auditors starting during the 2022 financial year • Considered and approved a revised policy in respect of non-audit services rendered by external audit • Pre-approved all non-audit services provided by external audit and confirmed the services to be within the approved non-audit services policy • Assessed the independence and objectivity of the external auditors • Met with key members of Ernst & Young Inc. and KPMG Inc. prior to every Audit Committee meeting to discuss the 2020/21 audit plan, key areas of focus, findings, scope and conclusions • Met separately with the leadership of Ernst & Young Inc. and KPMG Inc. to discuss auditor accreditation, independence, firm quality control, results of internal and external inspections and audit quality • Met with Ernst & Young global leadership to discuss regulatory investigations across members firms to assess the impact on audit quality, if any, for Investec • Obtained feedback from the cross-reviews performed by KPMG International on KPMG (South Africa) • Discussed external audit feedback on the bank's critical accounting estimates and judgements. Noted the increased involvement of specialists from the audit firms in the more complex matters in the current year • Discussed external auditors' draft report on specific control areas and the control environment ahead of the 2021 financial year end • The Committee approved the external audit plan, audit fee and the main areas of focus • Monitored audit quality and audit partner accreditation as specified by the JSE In line with the conditions set out in Section 94(8) of the Companies Act and based on its assessment documented above, using the criteria set out by the King IV Code and the JSE Listings Requirements, the IBL Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

IBL AUDIT COMMITTEE REPORT
CONTINUED

Key audit matters	What we did
Regulatory compliance and reporting	• Received regular reports from the regulatory compliance function, and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors or regulator
Post balance sheet disclosure	• Considered the need for post balance sheet disclosures. Specifically considered the impact of COVID-19 in the affected jurisdictions Investec Bank Limited operates in as well as on specific sectors
Fair, balanced and understandable reporting • The bank is required to ensure that its external reporting is fair, balanced and understandable, and to consider whether it provides the information necessary for stakeholders to assess the group's position, performance, business model and strategy • Reviewed the outcomes of the combined assurance coverage model as discussed below	• The Committee undertakes an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement • Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements and the quality of earnings assessment • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of the audit differences • The Committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2021 were appropriate in ensuring that those statements were fair, balanced and understandable • The Committee recommended to the board that the 2021 annual report and financial statements were fair, balanced and understandable
Combined assurance model	• Satisfied itself with the appropriateness of the design and effectiveness of the combined assurance model applied, which incorporates the various disciplines of risk management, operational risk, legal, regulatory compliance, internal audit, external audit and other external assurance providers. Satisfied itself with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks • Reviewed the year end conclusions from internal audit on internal control, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year • Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes

IBL AUDIT COMMITTEE REPORT
CONTINUED

Other matters considered by the IBL Audit Committee:
The committee considered the following matters during the financial year ended 31 March 2021:

Key audit matters	What we did
Internal controls • The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans	• Attended and received regular reports from the IBL BRCC. Based on this reporting, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • Evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • Reviewed reports from the independent audit committees of the bank's subsidiaries • Evaluated the impact of work from home on the overall control environment and operational risk • Evaluated reports on the internal control environment from the internal and external auditors • Monitored close-out of internal and external audit findings • Attended and received regular reports from the Investec Limited IT Risk and Governance Committee regarding the monitoring and effectiveness of the bank’s IT controls. Considered updates on key internal and external audit findings in relation to the IT control environment • Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy, and effectiveness of assurance coverage • Evaluated reports on cyber security within the bank • Reviewed and evaluated the work performed by management to support the control attestation to be made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k)
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans	• Received regular reports from the subsidiary audit committees • Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management and scrutinised action plans following internal audit findings
Finance function	• Discussed and concluded that the finance functions of Investec Bank Limited and its subsidiaries was adequately skilled, resourced and experienced to perform the financial reporting for the bank • Concluded that both the outgoing and incoming Investec Bank Limited chief financial directors, Stuart Spencer and Marle’ van Der Walt, had the appropriate expertise and experience to meet the responsibilities of the position
IFRS	• Reviewed various accounting papers prepared by group finance, addressing subjective accounting treatment and significant accounting judgements
Related party disclosures	• Considered and reviewed related party disclosures in relation to the bank • DLC Nomdac reviewed key related party transactions during the year and ensured that Investec related party policies are being complied with

IBL AUDIT COMMITTEE REPORT
CONTINUED

Areas of focus	What we did
Internal audit • The performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan • The Committee is responsible for assessing audit quality in relation to internal audit	• Scrutinised and reviewed internal audit plans, risk assessments, methodology and staffing, and approved the annual plan. Assumed responsibility for the monitoring and following up of internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management • Received regular reports from internal audit on all significant issues identified • Monitored delivery of the agreed audit plans, including assessing internal audit resources • Tracked high and moderate risk findings, and monitored related remediation plans • Met with the head of internal audit prior to each Audit Committee meeting, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted • Confirmed that it was satisfied with the performance of the internal audit function • Discussed and considered the internal audit quality assurance programme. The internal audit quality assurance programme is designed in line with the Institute of Internal Auditors' (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics) • The results of the post engagement quality assurance program inform any training interventions required within the team, and the results are consolidated and presented to the Audit Committee on an annual basis • Discussed and considered the quality assurance programme. The quality assurance programme is multi-faceted and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post-engagement quality assurance programme • Reviewed the Engagement Quality Assurance Review (EQAR) conducted by an external provider during 2020, with no material issues impacting reliance on the internal audit function. Tracked the progress of remediation of improvement plans as discussed and approved in a workshop with the Audit Committee and executive • Received an opinion from internal audit on internal controls and the integrated risk management framework as part of the year end sign-off process • Considered the succession, skills matrix and the Continuous Professional Development of internal audit • Had a closed session of the Audit Committee with internal audit, without management present
Uncertain tax and other legal matters • Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements	• Received regular updates from group tax, group finance and legal on uncertain tax and legal matters to enable it to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment • Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax provisions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the International Accounting Standards (IAS) 37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment

IBL AUDIT COMMITTEE REPORT
CONTINUED

External audit

Non-audit services

The bank implemented an updated policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and services requiring specific approval by the Committee.

Total audit fees paid to all auditors for the year ended 31 March 2021 was R78 million (2020: R69.8 million), of which R1.6 million (2020: Nil) related to the provision of non-audit services. The non-audit services were in respect of services typically provided by the auditor, for example, regulatory audits.

Non-audit fees were approved by the Chair of the Committee prior to every assignment.

Based on the above-mentioned policy and reviews, the Committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young Inc. and KPMG Inc.

Partner accreditation and audit quality

Reviews in respect of audit quality took place between the Committee and Ernst & Young Inc. and KPMG Inc for the current year.

The following was covered during these discussions:

- Transparency reports and reviews by each of the two firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria
- Any reputational, legal or impending legal issues impacting the firm, including the implications of publicly observable information from regulatory investigations
- The independence processes of the firm, including partner reward and remuneration criteria
- Interrogation of international and local firm audit quality control processes
- Detailed profiles of partners and managers, including their relevant audit experience, were reviewed
- Details in relation to each firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process
- The results of the latest firm-wide reviews carried out by the regulatory body, the Independent Regulatory Board for Auditors (IRBA)
- The results of the last individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of each partner
- The completion of an audit quality questionnaire by each member of the Audit Committee and management the results of which were that a robust audit is in place.

Auditor independence and objectivity

- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors are required to rotate the lead audit partner every five years, and other key audit partners every five years
- Partners and senior staff associated with the audit may only be employed by the bank after a cooling-off period
- The lead partners commenced their respective five-year rotation periods in 2018 (KPMG Inc.: 1 February 2018 and Ernst & Young Inc.: 31 January 2018)
- Gail Moshoeshoe as lead Ernst & Young Inc. partner will thus rotate off on conclusion of the 2021 audit process. Ranesh Hariparsad, who has been involved in a transition capacity, will take over as the lead Ernst & Young Inc. partner for the 2022 audit
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the bank's audit meet the independence criteria.

Following due consideration, we continue to believe that the following are adequate safeguards to ensure that the audit process is both objective and effective:

- The extent of audit cross-reviews, both between the joint auditors of Investec Bank Limited and the additional reviews by KPMG International
- The additional cross-reviews by the Investec Limited and Investec plc auditors across the bank supported by partner rotation
- Limitations on delivering non-audit services including pre-approval on non-audit work
- The confirmation of the independence of the firms and auditors involved
- Formal audit quality process undertaken by the Audit Committee.

Mandatory Audit Firm Rotation

In terms of the Banks Act in South Africa, Investec Bank Limited is required to appoint joint auditors.

The rule on MAFR as issued by the IRBA requires that an audit firm shall not serve as the appointed auditor of a public interest entity for more than ten consecutive financial years. Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. If, at the effective date, the entity has appointed joint auditors and both have had audit tenure of ten years or more, then only one audit firm is required to rotate at the effective date and the remaining audit firm will be granted an additional two years before rotation is required.

The Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the Companies Act and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration, balanced with the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, following a comprehensive tender process, PricewaterhouseCoopers Incorporated (PwC) was nominated as one of the new joint external auditors for the financial year starting 1 April 2023.
The appointment of the firm and designated audit partner is subject to regulatory approval from the South African PA.

The appointment of PwC will be recommended to the ordinary shareholders at the annual general meeting (AGM), to be held in August 2022. A formal transition process will commence during 2022 whereby PwC will observe the full audit cycle performed by the incumbent joint external auditors.

A competitive tender process for the second rotation will commence during 2022, with the second incoming audit firm to perform the first audit for the financial year starting 1 April 2025, in accordance with the MAFR rules as published by the IRBA.

IBL AUDIT COMMITTEE REPORT
CONTINUED

Re-election of auditors

The Committee has considered the following in proposing the appointment of external auditors:

- The regulatory need for joint auditors
- The state of the audit profession in South Africa
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a bank or financial services group which is of systemic importance
- Level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a financial services group and the consequent audit risk
- Independence of the external auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, and balanced against shareholder views on firm rotation.

In line with the conditions set out in Section 94(8) of the Companies Act, and based on its assessment, using the criteria set out by the King IV Code and the JSE, and considering the guidance provided in the FRC guide on Audit Committees, the Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

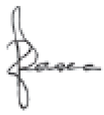
In making the recommendation for the re-election of Investec Bank Limited's auditors, the board and the IBL Audit Committee have taken into consideration the Companies Act and the South African PA requirements with respect to joint auditors and mandatory firm rotation together with the results of the audit committee's extensive, formalised process to satisfy itself as to auditor independence and audit quality.

The board and the Committee are recommending the re-election of KPMG Inc. and Ernst & Young Inc. as joint auditors of Investec Bank Limited at the AGM in August 2021.

Looking ahead

The role of the Committee will remain focused on:

- Ensuring the effective functioning of the bank's financial systems, processes and controls, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS and other regulations
- The appointment of the second external audit firm as part of the MAFR
- The implications of Environmental, Social and Governance risk (ESG) in measuring the sustainability and societal impact of an investment in a company or business
- The impact of COVID-19 on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position of the bank
- Continue to exercise oversight at an Investec Bank Limited level over subsidiary audit committees.



Zarina Bassa
Chair, IBL Audit Committee
23 June 2021

IBL BOARD RISK AND CAPITAL COMMITTEE REPORT

David Friedland
Chair of the IBL BRCC Committee

"This was indeed a challenging year. By working closely with management, the risk functions and the three lines of defence, the committee was comfortable that the risks presented by COVID-19 were properly managed."

Members	Member since	Meetings attended	Eligible to attend
David Friedland (chair)	18 January 2019	6	6
Zarina BM Bassa	18 January 2019	6	6
Philip A Hourquebie	18 January 2019	6	6
Khumo L Shuenyane	18 January 2019	6	6
Fani Titi	18 January 2019	6	6
Richard J Wainwright	18 January 2019	5	6
Morris Mthombeni	2 March 2020	6	6
Mvuleni G Qhena	2 March 2020	6	6
Stuart C Spencer*	14 May 2020	6	6
Vanessa Olver**	20 May 2021	0	0
Marlé van der Walt***	8 April 2021	0	0

* SC Spencer resigned as a member of IBL BRCC effective 8 April 2021
** V Olver was appointed as a director of Investec Bank Limited effective 20 May 2021, and was therefore not eligible to attend any meetings for the 2021 financial year
*** M van der Walt was appointed as a director of IBL effective 8 April 2021 and was therefore not eligible to attend any meetings for the 2021 financial year

Prior to 18 January 2019, the IBL BRCC was incorporated into the DLC BRCC.
Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the Committee.

I am pleased to present the IBL BRCC report for the financial year ended 31 March 2021.

Role of the Committee

The IBL BRCC forms an integral part of the bank's risk management and is aligned with the requirements of a risk and capital management committee as outlined by the Banks and the King IV™ Code. The Committee serves as an independent Board Risk and Capital Committee of the bank with responsibility to oversee the bank's risk framework to ensure that the framework is appropriate to the size, scale, and nature of the bank's activities for the purposes of effectively overseeing the material risks to which the bank is exposed and to consider whether the resources allocated to the risk management framework are adequate for the purposes of monitoring the bank's risk exposures effectively. The Committee considers the adequacy and effectiveness of the bank's procedures, processes and controls so as to give the board assurance that the risk strategy, risk appetite policy and material risk tolerance meet regulatory requirements and are robust and fit for purpose. It is further tasked with oversight of the overall capital management and allocation process.

The IBL Audit Committee has the primary role in providing assurance to the board that enterprise wide risks have been correctly identified and appropriate controls are in place. The IBL Audit Committee relies on the output of the IBL BRCC to give assurance as regards enterprise wide risk. As there are synergies between the IBL BRCC and IBL Audit Committee, there is an overlap in membership.

IT and governance risks are delegated to the IT Risk and Governance Committee which submits its report to the Committee. When setting Risk Appetite Limits, Investec Bank Limited takes into consideration the findings of the stress testing process. Investec recognises that, notwithstanding sound appetite and judgement, severe stress scenarios outside the firm's control can occur. It is therefore necessary to consider such scenarios when setting Risk Appetite limits. These bank-wide key vulnerabilities under stress form the basis for the design of the Investec Bank Limited specific stress scenarios which are then implemented into various related outputs such as Investec Bank Limited risk reporting, Investec Bank Limited's capital plans, and the ICAAP process. This ensures that stress testing is reflected in Investec Bank Limited's decision-making processes. The stress testing and risk appetite limits are reviewed and challenged before approval by the Committee.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending and maintaining lending collateralised by property as a proportion of net core loans

Investec transitioned onto the Foundation Internal Ratings Based (FIRB) approach (FIRB for wholesale and AIRB for retail) effective from 1 April 2019.

The Corporate and Small Medium-Sized Enterprises (SME) portfolios were approved for six months AIRB parallel runs that commenced in July 2020. The South African PA approved the AIRB application on 1 April 2021.

IBL BOARD RISK AND CAPITAL COMMITTEE REPORT

Engagement with the South African PA is ongoing with regards to the AIRB application for the Income Producing Real Estate (IPRE) portfolio.

The Committee identified six significant risks, being government debt given a weaker SA Inc balance sheet, long-term credit risk due to accelerated structural shifts in the markets due to COVID-19, high exposure to property transactions, USD liquidity risk based on funding limited to a two year tenure, cybersecurity attacks which could result in data compromise, interruption to business process or client services, financial losses and reputational harm, and business resilience risk as the working from home regime continued.

Since mid-March 2020 we responded to the COVID-19 related lockdowns by moving some staff to our Midrand premises while the majority of staff worked from home retaining only critical staff in our major offices. We built up cash reserves and maintained strong liquidity and capital positions, improved our dollar reserves, participated in various BASA initiatives including the initiative to provide funding to SME's (initially under R300million turnover) with National Treasury and South African Reserve Bank, and considered many client requests for credit relief.

Looking forward

While COVID-19 has presented formidable challenges to clients and banks all over the world, we have nonetheless maintained a strong balance sheet with all liquidity risk regulatory limits comfortably met throughout the period. Capital and leverage ratios also remained sound. IPRE which was impacted by reduced rental income from tenants operating in COVID-19 affected industries, also showed resilience despite the negative environment. We are forging ahead with renewed focus on the risks presented by the pandemic, while ensuring that our risk appetite limits are adhered to and continuously challenged by the Committee. The Committee will continue to focus on the impact of economic conditions presented by COVID-19 and the corresponding impact on Investec. Cybercrime risks associated with the new ways of working, and assessing the impact of external factors on the bank's risk profile and review of model changes to AIRB activities will remain focus areas.ESG measures were added to the risk appetite limit policy and will therefore be a key focus during the year. Our sights are set on ongoing recovery, maintaining our liquidity and capital ratios, and continuing to improve our dollar liquidity. With the second wave of COVID-19 behind us and a third wave upon us, it is difficult to predict what the future looks like; however, we are committed to ensure overall robust risk management and mitigation throughout the organisation.

Composition and meeting attendance

The DLC Nomdac and the board have formed the opinion that the IBL BRCC has the appropriate balance of knowledge and skills to discharge its duties. All members have the relevant knowledge and experience to be able to consider the issues that are presented to the Committee.

The IBL BRCC met six times during the year ended 31 March 2021. A combined IBL BRCC and IBL Audit Committee meeting was held during April 2021 to challenge and subsequently approve the macro-economic scenarios, including the calculation of the IFRS9 provision.

Other regular attendees

- Operational risk
- IBL chief risk officer
- Head of operational risk
- IBL financial director
- Internal audit
- AIRB/FIRB project representative for AIRB/FIRB
- Head of IT security

David Friedland
Chair, IBL BRCC
23 June 2021

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Remuneration report

REMUNERATION REPORT

Philip Hourquebie
Chair of the Remuneration Committee

"Our people have delivered a strong performance, particularly in light of the extremely challenging conditions this year."

Members	Member since	Meetings attended	Eligible to attend
Philip A Hourquebie (chair)	4 Jun 2020	4	4
Zarina BM Bassa	4 Jun 2020	4	4
Mvuleni G Qhena	4 Jun 2020	4	4
Khumo Shuenyane	4 Jun 2020	4	4

Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chair of the committee.

I am pleased to present the IBL Remuneration Committee's (the Committee) report for the financial year ended 31 March 2021.

Introduction
The IBL Remuneration Committee was established in May 2020 as an independent committee of the IBL board. The inaugural meeting of the committee was held on 4 June 2020. Prior to this date the DLC Remuneration Committee acted as the Remuneration Committee for Investec Bank Limited. The details of the role and responsibilities of the DLC Remuneration Committee are set out in the Investec group 2021 integrated annual report.

The IBL Remuneration Committee ensures compliance with applicable legislation and governance requirements of the jurisdiction within which the bank operates, including its obligations as an independent bank regulated by the South African PA and FSCA. The Committee will also give full consideration to the Directors' Duties contained in the Companies Act and will consider the factors listed in the Companies Act, the JSE Listings Requirements, King IV^{TM} Code and any other relevant legal or regulatory requirements.

The role of the Committee
Whilst the Committee is responsible for remuneration within the bank, it reports key items to both the IBL board and the DLC Remuneration Committee.The Committee is also required where there are reserved matters to give input at the DLC Remuneration Committee.

The Committee further evaluates the performance of executive directors against their agreed performance objectives, which ensures rigorous focus on business imperatives including financial performance. The outcomes of this are a primary input to variable remuneration decisions. Risk management is carefully considered.

Composition of the Committee
The IBL Remuneration committee met four times during the year ended March 2021.

I served as the Chair of the IBL Remuneration Committee for the financial year. The other members of the committee for the year were Zarina Bassa, Khumo Shuenyane and Geoffrey Qhena. Geoffrey is a non-executive director of Investec Bank Ltd only, where the other members are all non-executive directors of the group as well.

The Committee is comprised entirely of independent non-executive directors who meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nomdac, which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the IBL Remuneration Committee has the appropriate balance of knowledge and skills to discharge its duties.

We believe the formation of the Committee, which was a result of the continued enhancement of the bank's existing independent governance processes, will help to further enhance the level of oversight and enquiry of the bank's remuneration framework.

REMUNERATION REPORT
CONTINUED

The past year in focus
The financial year was characterised by a difficult trading environment, given the local environment and COVID-19 macroeconomic realities both locally and globally.

As previously stated in the 2020 report, we split our 2020 annual review into three processes:

- In June 2020 we paid out a portion of the bonus pool and allocated shares based on a reduced pool compared to the prior year. In line with our principle to support our people during these challenging times, we paid bonuses to the generally lower earning employees.
- In September 2020 we reviewed the salaries of staff. This was delayed from our normal annual review in June.
- In December 2020, after the review of our performance for the first half of the 2021 financial year, taking into account the economic and business outlook at that time, we proceeded with the allocation of the balance of bonuses to senior employees and higher earners who received the largest decrease in bonuses in June 2020.

In addition the Committee also reviewed reports on future talent, race, gender and other diversity considerations.

The Committee further reviewed specific analysis and reports that outlined non-standard remuneration practices, severance policies and practices, and non-standard payments above the agreed upon hurdles.

Outcomes for the year
Our business performance was resilient despite an operating environment characterised by the stop-start of economies as countries grappled with the impact of COVID-19. We have seen good business performance with stronger activity levels since December 2020. Investec Bank Ltd posted an increase in headline earnings attributable to ordinary shareholders of 7.5% to R4 133 million (FY2020: R3 844 million). Total operating income before expected credit loss impaired charges decreased by 4.4%. Operating costs were well contained, declining by 2.5%, driven by headcount containment and reduced discretionary expenditure.

Our people have delivered a strong performance, particularly in light of the extremely challenging conditions this year. When we highlight the importance to support our people, at the core hereof is to consider business performance, staff costs and the economic and mental impact of COVID-19 on our people. We have invested considerable time and resources in considering the well being of our employees, especially the more vulnerable and understanding the mental, emotional, and financial impact of the current crises.

Our executives and non-executive directors donated a portion of their remuneration/fees via salary sacrifice during the year to COVID-19 causes including the Solidarity Fund.

We considered the needs of all our stakeholders, including our shareholders, when determining the remuneration spend for the year. We agreed the following principles to guide our approach this year:

- Performance in the context of the global pandemic and SA realities.
- Protect our business (to ensure we retain talent for a sustainable, viable business for the long term).
- Support our people during these challenging times.
- Mitigate flight risk and potential impact to franchises, particularly for key individuals.
- Account for external factors, including the views of regulators and shareholders.

Following due consideration of the above principles we followed the standard annual reward process in respect of the financial year ended 31 March 2021.

In line with the request from the PA to preserve capital in 2020, our executives and senior managers did not receive cash bonuses for the year ended March 2020. Such individuals received up-front shares with a 12-month retention period.

Considering the regulatory environment, capital position and business performance, we reinstated cash bonuses to our executives and senior managers for the year ended 31 March 2021.

Further details on the philosophy, policy and relevant disclosures per governance requirements can be found throughout the Investec DLC remuneration report.

Conclusion
The Investec Bank Ltd group has had a challenging year, considering the impacts of the COVID-19 pandemic.

The Committee undertook to balance these realities with the principles outlined earlier in applying the reward principles and policy in the context of the external and internal commercial environments while ensuring that we protect our people and mitigate the flight risk of key employees.

Philip Hourquebie
Chair of the IBL Remuneration Committee
23 June 2021

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Annual financial statements

DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Investec Bank Limited, comprising the balance sheets as at 31 March 2021 and the income statements, statements of total comprehensive income, statements of changes in equity and the statements of cash flows and the notes to the financial statements for the year then ended, in accordance with IFRS, SAICA Financial Reporting Guide as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe that the group's business will not be a going concern in the year ahead.

The directors confirm that Investec Bank Limited complied with the applicable laws of establishment, Investec Bank Limited's memorandum of incorporation and the Companies Act.

Approval of Investec Bank Limited's group and company financial statements

The Investec Bank Limited group and company annual financial statements, as identified in the first paragraph, were approved by the board of directors on 23 June 2021 and are signed on its behalf by:

Khumo Shuenyane
Chair

Richard Wainwright
Chief Executive

DIRECTORS' REPORT

Nature of business
Investec Bank Limited is a specialist bank providing a diverse range of banking products and services to a niche client base in South Africa and Mauritius.

Financial results
The group and company financial results of Investec Bank Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2021.

Total operating income before ECL impairment charges decreased by 4.4% to R12 049 million (FY2020: R12 603 million). The components of operating income are analysed further below:

- Net interest income increased by 1.3% to R8 786 million FY2020: R8 673 million) supported by a higher average lending book and lower funding costs. Net core loans were broadly flat year-on-year at R283 240 million (31 March 2020: R283 946 million).
- Growth in the private clients loan book was offset by the corporate lending book, which experienced higher repayments and lower net new originations as corporate clients remained cautious, particularly in the first half of the financial year.
- Net fee and commission income reduced by 10.7% to R2 337 million (FY2020: R2 616 million), reflecting lower lending and transactional activity across the business, primarily in the first half of the year.
- Investment income decreased by 21.5% to R472 million (FY2020: R601 million) driven by lower realisations, dividend flows and negative fair value adjustments on certain investments given the prevailing economic backdrop.
- Share of post-taxation profit of associates reflects earnings in relation to the group’s investment in the IEP Group (IEP). The 74.6% reduction year on year reflects the negative impact of COVID-19 as some IEP subsidiaries were unable to trade during the hard lockdown.
- Total trading income declined 5.8% to R370 million (FY2020: R393 million). The 41.5% increase in client flow trading income, due to increased commodity and interest rate derivatives trading activity, was offset by negative MTM on interest rate swaps hedging fixed deposits and foreign exchange swaps.
- ECL impairment charges declined to R567 million (FY2020: R1 088 million) resulting in a CLR of 18bps (FY2020: 37bps). Higher specific impairments and the inclusion of an additional model overlay were offset by stable portfolio impairments, due to broadly flat lending books and an increased level of recoveries. Despite an increase in Stage 3 specific impairments, the coverage ratio declined to 18.5% (31 March 2020: 43.2%) due to some highly collateralised deals migrating from Stage 2 to Stage 3 and the write-off of specific exposures with higher provision coverage.
- Operating costs were well contained, declining by 2.5% to R6 469 million (FY2020: R6 632 million) driven by headcount containment and reduced discretionary expenditure. The decline in revenue resulted in a cost to income ratio of 53.7% (FY2020: 52.6%).

The decrease in impairment of associate to R98 million (FY2020: R937 million) relates to the non-repeat of a prior year goodwill impairment to the equity-accounted value of the group's holding in IEP.

As a result of the foregoing factors, profit before taxation increased by 24.9% to R4 861 million (FY2020: R3 892 million). After a higher taxation charge of R878 million (FY2020: R816 million), profit after taxation was R3 997 million (FY2020: R3 090 million), an increase of 29.4%.

The preparation of the group and company annual financial statements was supervised by the financial director, Marlé van der Walt.

Authorised and issued share capital
Details of the share capital are set out in notes 41 and 42 of the annual financial statements.

Ordinary dividends
Having met the solvency and liquidity requirements that are stipulated in the Companies Act, the following interim and final ordinary dividends were declared and paid during and subsequent to the year end:

- R600 million (six hundred million rand) was declared and paid to Investec Bank Limited's sole shareholder on 4 January 2021
- R1 500 million (one thousand five hundred million rand) was declared on 18 June 2021 and paid to IBL's sole shareholder on 22 June 2021.

Preference dividends
Non-redeemable non-cumulative non-participating preference shares
Preference dividend number 35 for the period 1 April 2020 to 30 September 2020, amounting to a gross preference dividend of 307.97855 cents per share, was declared to members holding preference shares registered on 11 December 2020 and was paid on 14 December 2020.

Preference dividend number 36 for the period 1 October 2020 to 31 March 2021, amounting to a gross preference dividend of 290.85595 cents per share, was declared to members holding preference shares registered on 11 June 2021 and was paid on 14 June 2021.

Investec Bank Limited repurchased 530 071 non-redeemable non-cumulative non-participating preference shares, representing 3.43% of the issued share capital. Repurchases of the preference shares were pursuant to, and in accordance with, the general authority granted to Investec Bank Limited by its shareholders at the AGM held on 6 August 2020 and approval by the PA. The preference shares remaining in issue following these repurchases amounts to 14 917 559 shares.

Class IBRP1 redeemable non-cumulative non-participating preference shares
IBRP1 preference dividend number 13 for the period 1 April 2020 to 30 June 2020, amounting to a gross preference dividend of 1074.41621 cents per share, was declared to members holding IBRP1 preference shares registered on 24 July 2020 and was paid on 27 July 2020.

IBRP1 preference dividend number 14 for the period 1 July 2020 to 30 September 2020, amounting to a gross preference dividend of 999.70770 cents per share, was declared to members holding IBRP1 preference shares registered on 23 October 2020 and was paid on 26 October 2020.

IBRP1 preference dividend number 15 for the period 1 October 2020 to 31 December 2020, amounting to a gross preference dividend of 990.99249 cents per share, was declared to members holding IBRP1 preference shares registered on 22 January 2021 and was paid on 25 January 2021.

Investec Bank Limited exercised its option to early redeem all 341 717 of the IBRP1 programme preference shares on 23 March 2021. The redemption took place at an amount of 100 872.50426 cents per share, being a return on capital of 100 000 cents per share plus accrued dividends in respect of the period from and including 1 January 2021 up to and including 22 March 2021, which amounted to 872.50426 cents per share.

DIRECTORS' REPORT
CONTINUED

Directors
The names of the current directors of Investec Bank Limited, along with their biographical details, are set out on pages 6 to 8. Changes to the composition of the board since 1 April 2020 up to the date of this report are shown in the table below:

	Date of appointment	Date of resignation
PRS Thomas		6 August 2020
M van der Walt	8 April 2021	
SC Spencer		8 April 2021
V Olver	20 May 2021	

Directors' shareholdings
No director holds any ordinary shares in Investec Bank Limited.

Directors' shareholdings in Investec plc, Investec Limited and in Investec Bank Limited's preference shares are set out on pages 135 to 138.

Directors' remuneration
Directors' remuneration is disclosed on pages 134 to 138.

Company secretary and registered office
The company secretary is Niki van Wyk. The registered office is c/o Company Secretarial, Investec Limited, 100 Grayston Drive, Sandown, Sandton, 2196.

Audit Committee report
The Audit Committee report is disclosed on pages 13 to 22.

Social and Ethics Committee (SEC)
As provided for under the Companies Act, the DLC SEC performs the necessary functions required on behalf of Investec Bank Limited. Four members of the IBL board are members of DLC SEC. Further details on the role and responsibilities of the DLC SEC are set out on page 97 of volume 1 of the Investec group's 2021 integrated annual report.

Nominations and Directors' Affairs Committee (Nomdac)
The board of IBL has delegated the duties of the Directors' Affairs Committee as set out in the Banks Act, to the DLC Nomdac. Four members of the IBL board are members of DLC Nomdac. Further details of the role and responsibilities of the DLC Nomdac are set out on page 94 of volume 1 of the Investec group's 2021 integrated annual report.

Investec Bank Limited has a policy dealing with the process for the nomination and appointment of directors. The policy is available on Investec's website.

Remuneration Committee
In May 2020, the bank formed an independent Remuneration Committee, which serves as the Remuneration Committee of Investec Bank Limited.

Prior to this date the DLC Remuneration Committee acted as the Remuneration Committee for the group (including Investec Bank Limited). The details of the role and responsibilities of the DLC Remuneration Committee are set out on page 151 of volume 1 of the Investec group's 2021 integrated annual report

Auditors
KPMG Inc. and Ernst & Young Inc. have confirmed their willingness to continue in office as joint auditors. A resolution to reappoint KPMG Inc. and Ernst & Young Inc. as joint auditors will be proposed at the AGM taking place on 05 August 2021.

In line with, inter alia, the mandatory audit firm rotation rule as issued by IRBA, the requirements of the Companies Act, and following a comprehensive tender process, PricewaterhouseCoopers Inc. (PwC) was, subject to regulatory approval, nominated as one of the new joint external auditors for the financial year starting 1 April 2023. Further details regarding the appointment process are contained in the IBL Audit Committee report on page 21 of the Investec Bank Limited annual report.

Debt officer
Laurence Adams was appointed as the debt officer of Investec Bank Limited with effect from 27 November 2020. In compliance with the JSE Listings Requirements, the board of Investec Bank Limited has considered and is satisfied with the competence, qualifications and experience of the debt officer.

Holding company
The bank's holding company is Investec Limited.

Major shareholders
Investec Limited owns 100% of the issued ordinary shares.

Subsidiary and associated companies
Details of principal subsidiary companies are reflected on page 112 and the associate companies on page 105.

Special resolutions
At the AGM of members held on 6 August 2020, the following special resolutions were passed in terms of which:

- The board of directors of Investec Bank Limited may authorise Investec Bank Limited to provide direct or indirect financial assistance to its subsidiaries by way of loan, guarantee, the provision of security or otherwise, not in the ordinary course of business
- A renewable authority was granted to Investec Bank Limited to approve directors' remuneration in order to comply with sections 65(11)(h), 66(8) and 66(9) of the Companies Act.

Accounting policies and disclosure
Accounting policies are set having regard to commercial practice and are in accordance with IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Standards Council, as well as the requirements of the Companies Act. These policies are set out on pages 47 to 57.

Diversity and employees
Investec Bank Limited's policy is to recruit and promote on the basis of aptitude and attitude, with the deliberate intent to build a diverse workforce and promote an inclusive workplace, appropriate to and representative of the jurisdiction's population. A diverse workforce is vital to our ability to be an innovative organisation that is able to adapt and prosper in a fast-changing world.

We have various processes to encourage debate and dialogue around valuing diversity and difference. Emerging and established leaders are invited to participate in discussions with the executive leadership around all issues related to talent management and diversity. The Investec group policy is to adopt an open management style thereby encouraging informal consultation at all levels about aspects of the group's operations and motivating staff involvement in the group's performance by means of employee share schemes.

Further information is provided in volume 1 of the Investec group 2021 integrated annual report.

Political donations and expenditure
Investec Bank Limited made no political donations in 2021 (2020: Rnil).

DIRECTORS' REPORT
CONTINUED

Empowerment and transformation
Investec Bank Limited endeavours to prevent and/or eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, nationality or sexual preference. People with disabilities are an essential part of a diverse talent pool and are always considered, with every effort made to accommodate and facilitate an accessible environment. In the event of employees becoming disabled while in our employ, we are committed to ensuring their continued employment to the extent possible.

Environment
Investec Bank Limited is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice among its employees and within the communities in which it operates.

Further information is provided in volume 1 of the Investec group's 2021 integrated annual report.

Going concern
In adopting the going concern basis for preparing the consolidated financial statements, the Directors have considered the Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance. The Directors have performed a robust assessment of the Group's financial forecasts across a range of scenarios over a 12 month period from the date the financial statements are authorised for issue. The assessment specifically incorporated analysis of the COVID-19 pandemic impact implications on the Group's projected performance, capital, liquidity and funding positions, including the impact of scheduled repayment of borrowings and other liabilities. Based on these, the Directors confirm that they have a reasonable expectation that the Company and the Group, as a whole, have adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. Therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Khumo Shuenyane
Chair
23 June 2021

Richard Wainwright
Chief Executive

Declaration by the company secretary
In terms of section 88(2)(e) of the Companies Act, I hereby certify that, to the best of my knowledge and belief, Investec Bank Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2021, all such returns as are required in terms of the Companies Act and that all such returns are true, correct and up to date.

Niki van Wyk
Company secretary
Investec Bank Limited
23 June 2021

CEO AND CFO RESPONSIBILITY STATEMENT

Chief Executive and Chief Finance Officer responsibility statement
The directors, whose names are stated below, hereby confirm that:

The annual financial statements set out on pages 39 to 166, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of International Financial Reporting Standards (IFRS).

No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading.

Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

Richard Wainwright
Chief Executive

Marle van der Walt
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Investec Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Investec Bank Limited (the group and company), which comprise the balance sheets at 31 March 2021, the income statements, the statements of total comprehensive income, the statements of changes in equity and the cash flow statements for the year then ended, accounting policies and the notes to the financial statements as set out on pages 39 to 156.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Bank Limited at 31 March 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following key audit matters are discussed and are applicable to both the consolidated and separate financial statements:

- Adequacy of the allowance for expected credit losses on loans and advances to customers; and
- Valuation of level 3 financial and non-financial assets.

INDEPENDENT AUDITORS' REPORT
CONTINUED

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the allowance for expected credit losses on loans and advances to customers Refer to the Accounting policies (page 51); and Note 26 of the Consolidated and Separate Financial Statements (page 103) The appropriateness of the allowance for expected credit losses (ECL) is highly subjective and judgmental. The ongoing impact of COVID-19 continues to result in additional judgments and assumptions being applied at 31 March 2021. At the year-end the group and company reported total gross loans and advances to customers subject to ECL of R276 338 million and R270 519 million; expected credit losses provisions of R2 703 million and R2 584 million; and expected credit loss impairment charges of R567 million and R539 million. Given the subjective nature of the calculation of ECL there is a heightened risk that the extent of allowances could be misstated. The areas of significant judgement within the ECL included: • Staging/assessment of significant change in credit risk: Completeness of assets recognised in stages 2 and 3, including the triggers for an asset moving between stages; • Multiple macro-economic scenarios: The inputs and assumptions used to estimate the impact of multiple macro-economic scenarios; • ECL model: The assumptions used in the models to calculate ECL, including: – Completeness and accuracy of historical data used to recalibrate the models; – Completeness and accuracy of data used to run the models; and – Key model assumptions and techniques, including in-model adjustment where the use of floors for the impact of macro-economic inputs have been applied. Our work effort in auditing the ECL focussed on the following elements: • Post model adjustments: Adequacy of post model adjustments ("overlays"), including post model adjustment in relation to the effects of COVID-19 • Individually assessed provisions: Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows.; and • Disclosures: Finance and credit processes to produce the financial statement disclosures.	Our audit included the following procedures to address the key audit matter: Staging/assessment of significant increase in credit risk We assessed the design and tested the operating effectiveness of key controls focusing on the following: • Assessment and approval of a significant increase or reduction in credit risk and credit-impaired criteria and monitoring of asset levels in each stage. This included our consideration of management's assessment of the impact of payment holidays granted to counterparties as a result of COVID-19; • Approval of staging criteria; and • Assessment of manual overrides to staging outcomes. We also analysed a sample of assets in stages 1, 2 and 3 to evaluate whether they were included in the appropriate stage. Multiple macro-economic scenarios We assessed the design and tested operating effectiveness of key controls focusing on the following: • Generation and approval of the base case scenario; • Generation and approval of the methodology and output of alternative scenarios, including the probability weights assigned; and • Production and approval of models used to calculate the ECL impact of the scenarios. We also reviewed the governance processes that the group and company have put in place to review and approve the economic scenarios. As part of this assessment we attended the DLC Board Risk and Capital Committee meetings where the economic scenarios were approved. We involved our economists to assess both the base case and alternative scenarios generated, including the probability weights applied. This included independent analysis on economic forecasts, which incorporated the use of third-party data. We involved our modelling specialists to assess the correlation of the macroeconomic factors forecast to the ECL and to test the scalars applied to the ECL that were calculated based on the scenarios. ECL model We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of models used to determine the ECL. As part of this we assessed the accounting interpretations made for compliance with IFRS 9, Financial Instruments (IFRS 9). We involved our modelling specialists to test assumptions and calculations used in the ECL model. This included performing an assessment of: • The model design documentation against accepted industry principles; • The appropriateness of the methodology, considering alternative techniques including the in-model adjustments; • The programming code to verify it was consistent with the design documentation; and • A sample of the historical and reporting date data used in the models by tracing back to the source systems.

INDEPENDENT AUDITORS' REPORT
CONTINUED

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Adequacy of the allowance for expected credit losses on loans and advances to customers (continued)	Post model adjustments For the COVID-19 overlay in relation to emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios we have assessed the reasonableness of management's assumptions against independent sources. Individually assessed provisions We assessed the design and tested operating effectiveness of key controls focusing on the following processes: • The calculation of the ECL provision, incorporating collateral valuations and work out strategies and annual credit reviews; • The estimation of the amount and timing of future cash flows, including the assessment and probability weights assigned to alternative scenarios, where applicable; • The approval of the final ECL provision made by management's impairment decision committee; and • The existence and legal right to collateral. We also selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors we deem vulnerable to COVID-19, including aviation, trade finance, hotels, gaming and leisure businesses. For each item selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies. We also considered the potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences that arose. Disclosures We evaluated the adequacy of disclosures in the financial statements including the appropriateness of assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures.

INDEPENDENT AUDITORS' REPORT
CONTINUED

KEY AUDIT MATTER	OUR AUDIT RESPONSE TO THE KEY AUDIT MATTER
Valuation of level 3 financial and non-financial assets Refer to the Accounting policies (page 50); and Note 14 of the Consolidated and Separate Financial Statements (page 82) At the year end the group and company reported level 3 financial and non-financial assets of R3 271 million and R3 016 million. For level 3 financial and non-financial assets there is a large degree of subjectivity surrounding the inputs to their valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgmental. This may result in subjective fair value movements which are material. Significant judgment is required by management due to the absence of verifiable third-party information to determine the key inputs and assumptions in the valuation models. This means there is a heightened risk that the timing and extent of changes in fair value estimates could be misstated.	Our audit included the following procedures to address the key audit matter: • We assessed the design and tested operating effectiveness of key controls for the valuation of level 3 financial and non-financial assets. For certain unlisted investments in private equity businesses a detailed testing approach was taken. • We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis. • Where inputs or assumptions were not observable in the market, we involved our valuation specialists to assess if the inputs and assumptions fell within an acceptable range, based on relevant industry knowledge and experience of the market.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the 167-page document titled "Investec Bank Limited group and company annual financial statements", which includes the Declaration by the company secretary, the Directors' report and the Audit committee report, included in the Corporate governance section, as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements, and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements
The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

INDEPENDENT AUDITORS' REPORT
CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. and KPMG Inc. have been the auditors of Investec Bank Limited for 46 and 27 years, respectively.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor
Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director
23 June 2021

KPMG Inc

KPMG Inc.
Registered Auditor
Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
23 June 2021

INCOME STATEMENTS

For the year to 31 March R'million	Notes	Group 2021	Group 2020^	Company 2021	Company 2020^
Interest income	2	26 370	35 279	26 044	34 434
Interest income calculated using the effective interest method		23 968	32 015	23 795	31 393
Other interest income		2 402	3 264	2 249	3 041
Interest expense	2	(17 584)	(26 606)	(17 819)	(26 541)
Net interest income		**8 786**	**8 673**	**8 225**	**7 893**
Fee and commission income	3	2 804	3 106	2 672	2 995
Fee and commission expense	3	(467)	(490)	(449)	(481)
Investment income	4	472	601	441	859
Share of post-taxation profit of associates	28	81	320	89	343
Trading income/(loss) arising from					
– customer flow		627	443	601	451
– balance sheet management and other trading activities		(257)	(50)	(223)	3
Other operating income		3	—	1	—
Total operating income before expected credit loss impairment charges		**12 049**	**12 603**	**11 357**	**12 063**
Expected credit loss impairment charges	5	(567)	(1 088)	(539)	(1 099)
Operating income		**11 482**	**11 515**	**10 818**	**10 964**
Operating costs	6	(6 469)	(6 632)	(6 240)	(6 505)
Operating profit before goodwill and acquired intangibles		**5 013**	**4 883**	**4 578**	**4 459**
Impairment of goodwill	32	(3)	(3)	(3)	(3)
Amortisation of acquired intangibles	33	(51)	(51)	—	—
Impairment of associate	28	(98)	(937)	(98)	(937)
Profit before taxation		**4 861**	**3 892**	**4 477**	**3 519**
Taxation on operating profit before acquired intangibles	9	(878)	(816)	(800)	(734)
Taxation on acquired intangibles	9	14	14	—	—
Profit after taxation		**3 997**	**3 090**	**3 677**	**2 785**

^ Restated as detailed on note 54.

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

		Group		Company	
For the year to 31 March R'million	Notes	**2021**	2020	**2021**	2020
Profit after taxation		3 997	3 090	3 677	2 785
Other comprehensive income:					
Items that may be reclassified to the income statement:					
Fair value movements on cash flow hedges taken directly to other comprehensive income	9	11	(619)	1	(610)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	9	2 025	(1 908)	1 970	(1 868)
Gain on realisation of debt instruments at FVOCI recycled through the income statement	9	(33)	(79)	(33)	(79)
Foreign currency adjustments on translating foreign operations		(1 224)	1 290	(8)	9
Items that will never be reclassified to the income statement:					
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	9	415	(1 187)	415	(1 187)
Net (loss)/gain attributable to own credit risk	9	(14)	1	(14)	1
Total comprehensive income/(loss)		**5 177**	**588**	**6 008**	**(949)**
Total comprehensive income attributable to ordinary shareholders		5 022	402	5 853	(1 135)
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders		155	186	155	186
Total comprehensive income/(loss)		**5 177**	**588**	**6 008**	**(949)**

BALANCE SHEETS

At 31 March R'million	Notes	Group 2021	Group 2020^	Company 2021	Company 2020^
Assets					
Cash and balances at central banks	17	9 653	36 656	9 343	36 374
Loans and advances to banks	18	24 666	18 050	17 848	12 080
Non-sovereign and non-bank cash placements		8 956	14 014	8 956	14 305
Reverse repurchase agreements and cash collateral on securities borrowed	19	30 221	26 426	29 114	25 087
Sovereign debt securities	20	53 009	64 358	53 009	64 358
Bank debt securities	21	21 862	12 265	21 366	11 357
Other debt securities	22	14 170	17 416	13 876	16 956
Derivative financial instruments	23	19 173	17 434	19 168	17 429
Securities arising from trading activities	24	2 869	3 178	2 322	2 932
Investment portfolio	25	4 923	5 801	4 668	5 590
Loans and advances to customers	26	275 056	276 754	269 356	267 379
Own originated loans and advances to customers securitised	27	8 184	7 192	—	—
Other loans and advances	26	181	242	211	268
Other securitised assets	27	578	416	—	—
Interests in associated undertakings	28	5 149	5 662	5 117	5 611
Current taxation assets		35	42	—	—
Deferred taxation assets	29	2 412	2 903	2 394	2 874
Other assets	30	7 382	6 114	7 008	5 913
Property and equipment	31	2 740	3 008	2 725	2 987
Investment properties		1	1	1	1
Goodwill	32	175	178	4	7
Software	33	95	149	97	151
Other acquired intangible assets	33	118	169	—	—
Loans to group companies	35	17 410	17 542	15 747	15 765
Investment in subsidiaries	36	—	—	4 473	4 159
Non-current assets held for sale		474	—	474	—
		509 492	**535 970**	**487 277**	**511 583**
Liabilities					
Deposits by banks		17 144	37 277	17 144	37 277
Derivative financial instruments	23	23 011	22 097	22 747	22 158
Other trading liabilities	37	3 388	4 521	3 388	4 521
Repurchase agreements and cash collateral on securities lent	19	16 593	26 626	16 593	26 626
Customer accounts (deposits)		374 369	375 948	359 198	358 642
Debt securities in issue	38	2 126	3 258	1 346	2 428
Liabilities arising on securitisation of own originated loans and advances	27	3 271	1 699	—	—
Current taxation liabilities		684	315	631	296
Deferred taxation liabilities	29	32	47	—	—
Other liabilities	39	7 421	7 590	6 700	7 118
Loans from group companies	35	1 972	2 807	6 378	5 890
		450 011	**482 185**	**434 125**	**464 956**
Subordinated liabilities	40	12 936	12 037	12 936	12 037
		462 947	**494 222**	**447 061**	**476 993**
Equity					
Ordinary share capital	41	32	32	32	32
Share premium	43	14 250	14 250	14 250	14 250
Other reserves		411	(787)	(2 420)	(4 751)
Retained income		29 188	26 259	25 690	23 065
Ordinary shareholders' equity		**43 881**	**39 754**	**37 552**	**32 596**
Perpetual preference shares in issue	42	1 481	1 534	1 481	1 534
Shareholders' equity excluding non-controlling interests		**45 362**	**41 288**	**39 033**	**34 130**
Other Additional Tier 1 securities in issue	44	1 183	460	1 183	460
Total equity		**46 545**	**41 748**	**40 216**	**34 590**
Total liabilities and equity		**509 492**	**535 970**	**487 277**	**511 583**

^ Restated as detailed on note 54.

STATEMENTS OF CHANGES IN EQUITY

	Ordinary share capital	Share premium^
Group		
At 1 April 2019	**32**	**13 351**
Movement in reserves 1 April 2019 – 31 March 2020		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net gain attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Issue of ordinary shares	—	899
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Disposal of group operations	—	—
Net equity movements of interests in associated undertaking	—	—
Capital contribution to group companies	—	—
Employee benefit liability recognised	—	—
Other equity movements	—	—
At 31 March 2020	**32**	**14 250**
Movement in reserves 1 April 2020 – 31 March 2021		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net loss attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Issue of other Additional Tier 1 securities in issue	—	—
Redemption of perpetual preference shares	—	—
Net equity movements of interest in associated undertaking	—	—
Capital contribution from group companies	—	—
Other equity movements	—	—
At 31 March 2021	**32**	**14 250**

^ Restated as detailed on note 54.

STATEMENTS OF CHANGES IN EQUITY
CONTINUED

Other reserves											
Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference shares issued by the holding company^	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
(104)	**770**	**(932)**	**25**	**2 031**	**24 597**	**39 770**	**1 534**	**41 304**	**460**	**(4)**	**41 760**
—	—	—	—	—	3 090	3 090	—	3 090	—	—	3 090
—	—	(619)	—	—	—	(619)	—	(619)	—	—	(619)
(1 908)	—	—	—	—	—	(1 908)	—	(1 908)	—	—	(1 908)
(79)	—	—	—	—	—	(79)	—	(79)	—	—	(79)
—	—	—	—	1 290	—	1 290	—	1 290	—	—	1 290
(1 187)	—	—	—	—	—	(1 187)	—	(1 187)	—	—	(1 187)
—	—	—	1	—	—	1	—	1	—	—	1
(3 174)	**—**	**(619)**	**1**	**1 290**	**3 090**	**588**	**—**	**588**	**—**	**—**	**588**
—	—	—	—	—	—	899	—	899	—	—	899
—	—	—	—	—	(1 050)	(1 050)	—	(1 050)	—	—	(1 050)
—	—	—	—	—	(186)	(186)	130	(56)	56	—	—
—	—	—	—	—	—	—	(130)	(130)	(56)	—	(186)
—	—	—	—	—	(4)	(4)	—	(4)	—	4	—
—	—	—	—	—	(44)	(44)	—	(44)	—	—	(44)
—	—	—	—	—	(86)	(86)	—	(86)	—	—	(86)
—	—	—	—	—	(133)	(133)	—	(133)	—	—	(133)
—	(75)	—	—	—	75	—	—	—	—	—	—
(3 278)	**695**	**(1 551)**	**26**	**3 321**	**26 259**	**39 754**	**1 534**	**41 288**	**460**	**—**	**41 748**
—	—	—	—	—	3 997	3 997	—	3 997	—	—	3 997
—	—	11	—	—	—	11	—	11	—	—	11
2 025	—	—	—	—	—	2 025	—	2 025	—	—	2 025
(33)	—	—	—	—	—	(33)	—	(33)	—	—	(33)
—	—	—	—	(1 224)	—	(1 224)	—	(1 224)	—	—	(1 224)
415	—	—	—	—	—	415	—	415	—	—	415
—	—	—	(14)	—	—	(14)	—	(14)	—	—	(14)
2 407	**—**	**11**	**(14)**	**(1 224)**	**3 997**	**5 177**	**—**	**5 177**	**—**	**—**	**5 177**
—	—	—	—	—	(600)	(600)	—	(600)	—	—	(600)
—	—	—	—	—	(155)	(155)	110	(45)	45	—	—
—	—	—	—	—	—	—	(110)	(110)	(45)	—	(155)
—	—	—	—	—	—	—	—	—	723	—	723
—	—	—	—	—	17	17	(53)	(36)	—	—	(36)
—	—	—	—	—	(406)	(406)	—	(406)	—	—	(406)
—	—	—	—	—	94	94	—	94	—	—	94
—	18	—	—	—	(18)	—	—	—	—	—	—
(871)	**713**	**(1 540)**	**12**	**2 097**	**29 188**	**43 881**	**1 481**	**45 362**	**1 183**	**—**	**46 545**

STATEMENTS OF CHANGES IN EQUITY
CONTINUED

	Ordinary share capital	Share premium^
Company		
At 1 April 2019	**32**	**13 351**
Movement in reserves 1 April 2019 – 31 March 2020		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net gain attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Issue of ordinary shares	—	899
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Capital contribution to group companies	—	—
Employee benefit liability recognised	—	—
Transactions with group companies	—	—
Net equity movements of interests in associated undertakings	—	—
At 31 March 2020	**32**	**14 250**
Movement in reserves 1 April 2020 – 31 March 2021		
Profit after taxation	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—
Foreign currency adjustments on translating foreign operations	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—
Net loss attributable to own credit risk	—	—
Total comprehensive income for the year	**—**	**—**
Dividends paid to ordinary shareholders	—	—
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	—	—
Issue of other Additional Tier 1 securities in issue	—	—
Redemption of perpetual preference shares	—	—
Net equity movements of interest in associated undertaking	—	—
Capital contribution from group companies	—	—
At 31 March 2021	**32**	**14 250**

^ Restated as detailed on note 54.

STATEMENTS OF CHANGES IN EQUITY
CONTINUED

Other reserves									
Fair value reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference shares issued by the holding company^	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	**Total equity**
(102)	**(929)**	**25**	**(11)**	**22 059**	**34 425**	**1 534**	**35 959**	**460**	**36 419**
—	—	—	—	2 785	2 785	—	2 785	—	2 785
—	(610)	—	—	—	(610)	—	(610)	—	(610)
(1 868)	—	—	—	—	(1 868)	—	(1 868)	—	(1 868)
(79)	—	—	—	—	(79)	—	(79)	—	(79)
—	—	—	9	—	9	—	9	—	9
(1 187)	—	—	—	—	(1 187)	—	(1 187)	—	(1 187)
—	—	1	—	—	1	—	1		1
(3 134)	**(610)**	**1**	**9**	**2 785**	**(949)**	**—**	**(949)**	**—**	**(949)**
—	—	—	—	—	899	—	899	—	899
—	—		—	(1 050)	(1 050)	—	(1 050)	—	(1 050)
—	—	—	—	(186)	(186)	130	(56)	56	—
—	—	—	—	—	—	(130)	(130)	(56)	(186)
—	—	—	—	(86)	(86)	—	(86)	—	(86)
—	—	—	—	(130)	(130)	—	(130)	—	(130)
—	—	—	—	(283)	(283)	—	(283)	—	(283)
—	—	—	—	(44)	(44)	—	(44)	—	(44)
(3 236)	**(1 539)**	**26**	**(2)**	**23 065**	**32 596**	**1 534**	**34 130**	**460**	**34 590**
—	—	—	—	3 677	3 677	—	3 677	—	3 677
—	1	—	—	—	1	—	1	—	1
1 970	—	—	—	—	1 970	—	1 970	—	1 970
(33)	—	—	—	—	(33)	—	(33)	—	(33)
—	—	—	(8)	—	(8)	—	(8)	—	(8)
415	—	—	—	—	415	—	415	—	415
—	—	(14)	—	—	(14)	—	(14)	—	(14)
2 352	**1**	**(14)**	**(8)**	**3 677**	**6 008**	**—**	**6 008**	**—**	**6 008**
—	—	—	—	(600)	(600)	—	(600)	—	(600)
—	—	—	—	(155)	(155)	110	(45)	45	—
—	—	—	—	—	—	(110)	(110)	(45)	(155)
—	—	—	—	—	—	—	—	723	723
—	—	—	—	17	17	(53)	(36)	—	(36)
—	—	—	—	(406)	(406)	—	(406)	—	(406)
—	—	—	—	92	92	—	92	—	92
(884)	**(1 538)**	**12**	**(10)**	**25 690**	**37 552**	**1 481**	**39 033**	**1 183**	**40 216**

CASH FLOW STATEMENTS

For the year to 31 March R'million	Notes	Group 2021	Group 2020^	Company 2021	Company 2020^
Cash flows from operating activities					
Operating profit adjusted for non-cash and non-operating items	46	5 845	6 051	5 653	6 249
Taxation paid		(962)	(777)	(929)	(704)
Increase in operating assets	46	(928)	(35 492)	(1 315)	(34 080)
(Decrease)/increase in operating liabilities	46	(29 273)	58 546	(31 052)	58 926
Net cash (outflow)/inflow from operating activities		**(25 318)**	**28 328**	**(27 643)**	**30 391**
Cash flows from investing activities					
Cash flow on acquisition of property, equipment and intangible assets	31/33	(83)	(247)	(77)	(243)
Cash flow on disposal of property, equipment and intangible assets	31/33	2	55	1	50
Cash flow on investment in associates	28	—	(56)	—	(56)
Net cash outflow from investing activities		**(81)**	**(248)**	**(76)**	**(249)**
Cash flows from financing activities					
Proceeds on issue of shares, net of related costs		—	899	—	899
Redemption of perpetual preference shares		(36)	—	(36)	—
Dividends paid to ordinary shareholders	11	(600)	(1 050)	(600)	(1 050)
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	11	(155)	(186)	(155)	(186)
Proceeds on issue of subordinated liabilities	40	1 636	—	1 636	—
Repayment of subordinated liabilities	40	(260)	(3 175)	(260)	(3 175)
Proceeds on Issue of other Additional Tier 1 securities in issue	44	723	—	723	—
Lease liabilities paid	39	(80)	(78)	(76)	(73)
Net cash inflow/(outflow) from financing activities		**1 228**	**(3 590)**	**1 232**	**(3 585)**
Effects of exchange rates on cash and cash equivalents		**(1 171)**	**1 092**	**—**	**—**
Net (decrease)/increase in cash and cash equivalents		**(25 342)**	**25 582**	**(26 487)**	**26 557**
Cash and cash equivalents at the beginning of the year		67 457	41 875	61 992	35 435
Cash and cash equivalents at the end of the year		**42 115**	**67 457**	**35 505**	**61 992**
Cash and cash equivalents is defined as including:					
Cash and balances at central banks		9 653	36 656	9 343	36 374
On demand loans and advances to banks		23 454	16 751	17 155	11 278
Non-sovereign and non-bank cash placements		8 956	14 014	8 956	14 305
Expected credit loss on cash and cash equivalents		52	36	51	35
Cash and cash equivalents at the end of the year		**42 115**	**67 457**	**35 505**	**61 992**

^ Restated as detailed on note 54.

Cash and cash equivalents have a maturity profile of less than three months.

The group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to R9.1 billion (2020: R9.4 billion) in the group and R8.9 billion (2020: R9.3 billion) in the company .

ACCOUNTING POLICIES

Basis of presentation
The group and company financial statements are prepared in accordance with the International Financial Reporting Standards, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Standards Council, as well as the requirements of the Companies Act.

The group and company financial statements have been prepared on a historical cost basis, except as otherwise stated.

As stated on page 32, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

'Group' refers to group and company in the accounting policies that follow unless specifically stated otherwise.

The accounting policies adopted by the group are consistent with the prior year except as noted below:

There is a global initiative to replace or reform inter-bank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives.

Consequently, financial contracts referencing these benchmarks with a maturity beyond 2021 may need to be amended to reference the alternative risk-free rates (RFR) in the applicable currency. There remain many uncertainties associated with the IBOR transition, including the prospective assessment of hedge accounting effectiveness.

The group has early adopted the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1 January 2021 with earlier adoption permitted.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

As indicated in the hedge accounting policy, the group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the group may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the group reasonably expects the RFR to become separately identifiable within 24 months.

The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective other than IBOR reform Phase 2.

Basis of consolidation
All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

The group performs a reassessment of control whenever there is a change in the substance of the relationship between the group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The group also holds investments in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associated undertakings.

After application of the equity method, management evaluates if there is objective evidence that its net investment in the associate is impaired.

Because goodwill forms part of the carrying amount of the net investment in an associate and is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount whenever there is objective evidence that the net investment may be impaired.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

ACCOUNTING POLICIES
CONTINUED

Investments in subsidiaries (including loan advances to subsidiaries) are accounted for at cost less impairment losses in the company financial statements Impairment on subsidiaries is accounted for in investment income on the income statement.

All intergroup balances, transactions and unrealised gains or losses within the group that do not reflect an impairment to the asset are eliminated in full regarding subsidiaries and to the extent of the interest in associated undertakings.

Segmental reporting
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, where operating results are reviewed regularly by chief operating decision-makers who are considered to be executive members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely, Private Banking, Corporate and Investment Banking and Other and Group Investments. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees
The group engages in equity-settled share-based payments in respect of services received from employees. The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met, with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The loss of control of an employing subsidiary of the group gives rise to an acceleration of the equity-settled share-based payments charge for the related employees and on loss of control, the group recognises the amount that would have been recognised for the award if it remained in place on its original terms.

All entities of the group account for any share-based payment recharge costs allocated to equity in the period during which it is levied in their separate financial statements. Any excess over and above the recognised share-based payment expense is accounted for as an expense in the income statement. This cost is presented with the share-based payment expense.

ACCOUNTING POLICIES
CONTINUED

Employee benefits
The group operates various defined contribution schemes.

In respect of the defined contribution scheme, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The long-term employment benefits liability relates to the obligation of the Investec group to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

Foreign currency transactions and foreign operations
The presentation currency of the group is South African Rand, being the functional currency of the company, and the currency in which its subsidiaries mainly operate, except Mauritius which is in US Dollars.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise, based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control or disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition
Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management, share of post-taxation profit of associates and other trading activities and other operating income.

Interest income on debt instruments at amortised cost and FVOCI is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

The effective interest method is based on the estimated life of the underlying instrument and where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management and includes rental income from investment properties.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group’s right to receive payment is established.

ACCOUNTING POLICIES
CONTINUED

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income) and operating lease income.

Rewards programme
The group has a Rewards programme whereby account cardholders are awarded Rewards points in proportion to eligible transactions. Rewards points may be redeemed at a later stage for goods or services at a variety of lifestyle, shopping, travel and financial partners. Rewards points earned are valid for three years from allocation date. Client rewards are considered to be a cost of the interchange service fee revenue stream, where the cardholder is not considered to be the customer but rather that the associated rewards are incentives paid to cardholders in respect of this stream. As a result, the costs to provide cardholders with these rewards are considered to be expenses and recognised in fee and commission expenses as the related income is earned, with the obligation to settle these points reflected in other liabilities until such time as they are redeemed.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments
Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at settlement date.

Business model assessment
For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business model:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- Elect to present subsequent changes in fair value of an equity investment that is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI;
- A debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payment of principal and interest (SPPI)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

ACCOUNTING POLICIES
CONTINUED

Financial assets measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost the undrawn commitment is also considered to be and is included in the impairment calculation.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Impairment of financial assets held at amortised cost or FVOCI
At each balance sheet date, each financial asset or portfolio of advances categorised at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is measured for ECL impairment.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances except where the asset has been wholly or partially written off.

Stage 1
Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. 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 the total amount due. Should the expected recoverability of the loan remain the same, these exposures will remain reported in Stage 1 for the foreseeable future, and will not be required to hold a lifetime ECL.

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 group'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. In South Africa, 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 internal credit rating and the remaining maturity of the exposure.

The group adopts the view 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 group 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. Forborne loans that are considered non-performing, for example, if a loan is not expected to meet the original contractual obligations in a reasonable timeframe, the loan will be classified as Stage 3. Loans which are 90 days or more past due are considered to be in default.

ACCOUNTING POLICIES
CONTINUED

The group calculates the credit adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

Definition of default
The group 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 should 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.

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 assessed on a case-by-case basis with considerations to indicators such as whether the exposure has been restructured or the given financial position of the borrower and guarantors. Any recoveries of amounts previously written off decrease the amount of impairment losses.

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 EAD represents the expected balance at default, taking into account any expected drawdown on a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and 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.

Financial assets and liabilities held at fair value through profit or loss
Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held-for-trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or both financial assets and financial liabilities is managed and its performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Changes in fair value of financial liabilities designated at fair value that is attributable to changes in own credit is recognised in other comprehensive income. Any other changes in fair value are recognised in the income statement.

Equity instruments measured at FVOCI
The group measures equity instruments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield. The equity instruments are not held-for-trading. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

Otherwise, equity instruments are measured at fair value through profit or loss (except for dividend income, which is recognised in profit or loss).

ACCOUNTING POLICIES
CONTINUED

Securitisation/credit investment and trading activities exposures
The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure to or rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Day-one profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities
A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either (a) the group has transferred substantially all the risks and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower. Where such modifications are solely due to IBOR reform and result in an interest rate which is economically equivalent, they are treated as a change to the floating rate of interest and so do not result in any adjustment to the carrying value of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments
Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments
All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting
When the group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The group applies either fair value or cash flow hedge or hedge of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially

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recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is reclassified to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-fair value, and notional and timing differences between the zero hedged items and hedging instruments.

The group applied the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative RFR. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the group is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

The group has adopted early IBOR reform Phase 2 for this year. IBOR reform Phase 2 provides temporary reliefs that allow the group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the group to amend the hedge designations and hedge documentation and are set out above.

Refer to page 156 in note 57 for more detail on the impact of IBOR reform.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments
Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

Sale and repurchase agreements (including securities borrowing and lending)
Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on-balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

Where sovereign debt securities have been purchased at the same time as derivatives with the same counterparty, such that the combined position has the economic substance similar to secured lending an asset is recognised under 'reverse repurchase agreements and cash collateral on securities borrowed'

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

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Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees
Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the expected credit loss. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment are as follows:

- Equipment 10% – 33%
- Furniture and vehicles 10% – 25%
- Freehold buildings 2% – 4%
- Leasehold property and improvements*
- Right of use assets*

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right of use asset depreciation rates are determined by reference to the period of the lease.

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment properties
Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and are supported by market evidence.

Leases
At inception of a contract the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The group has the right to direct the use of the asset.

As a lessee, the group recognises a right of use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease, or, where that is not available, at the group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ACCOUNTING POLICIES
CONTINUED

When the group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property and equipment, finance lease receivables are included within loans and advances to customers and the lease liabilities are included within other liabilities.

Where the group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Trading properties
Trading properties are carried at the lower of cost and net realisable value.

Intangible assets
Software and intangible assets are recorded at cost less accumulated amortisation and impairments. Software and intangible assets with finite lives, are amortised over the useful economic life (currently three to 20 years) on a straight-line basis. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets
At each balance sheet date, the group reviews the carrying value of non-financial assets, other than investment property, for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value-in-use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Non-current assets held for sale
The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets in the measurement scope of IFRS 5 are carried at the lower of their carrying amount and fair value less costs to sell.

Trust and fiduciary activities
The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of third party assets under management.

Taxation and deferred taxation
Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- Temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation asset can be utilised. Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs
Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective
The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

ACCOUNTING POLICIES
CONTINUED

Key management assumptions
In preparation of the annual financial statements, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- The impact of COVID-19 required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on pages 82 to 91, 134 and 151 to 152.
- In accordance with IFRS 13 Fair Value Measurement, the group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 14.

Details of unlisted investments can be found in note 25 with further analysis contained on page 158.

- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are 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 group's ECL methodology, which are not considered to have a 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.

Following a detailed review of the outcome of the ECL models, management raised an additional overlay provision in SA.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group has recognised in its current tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group in order to determine if an exposure should be measured based on the most likely amount or expected value.

In making any estimates, management's judgement has been based on various factors, including:

- The current status of tax audits and enquiries;
- The current status of discussions and negotiations with the relevant tax authorities;
- The results of any previous claims; and
- Any changes to the relevant tax environments.

- Management assesses the degree of control or influence the group has over certain investments in terms of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. In the case of the IEP Group, this is considered to be an area of significant judgement. We have concluded that we do not control IEP based on the decision-making structure within the entity, our percentage holding, the number and involved nature of other shareholders and our historic experience of our power over the relevant activities. It was concluded that there is significant influence over IEP and it is accounted for as an associate.
- Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of R98.0 million in the current year. The recoverable amount of the investment in IEP was determined to be the value-in-use. This was calculated by determining Investec's stake of the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations.
- The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental analysis

	Specialist Banking^				
	Private Client				
For the year to 31 March 2021 R'million	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group costs	**Total**
Group					
Net interest income/(expense)	4 651	4 405	(270)	—	8 786
Net fee and commission income	957	1 380	—	—	2 337
Investment income/(loss)	19	(2)	455	—	472
Share of post-taxation (loss)/profit of associates	(8)	—	89	—	81
Trading income/(loss) arising from					
– customer flow	(1)	628	—	—	627
– balance sheet management and other trading activities	—	(194)	(63)	—	(257)
Other operating income	—	3	—	—	3
Total operating income before expected credit loss impairment charges	**5 618**	**6 220**	**211**	**—**	**12 049**
Expected credit loss impairment charges	(34)	(533)	—	—	(567)
Operating income	**5 584**	**5 687**	**211**	**—**	**11 482**
Operating costs	(2 981)	(3 164)	—	(324)	(6 469)
Profit/(loss) before goodwill, acquired intangibles and taxation	**2 603**	**2 523**	**211**	**(324)**	**5 013**
Cost to income ratio	53.1%	50.9%	n/a	n/a	53.7%
Total assets (R'million)	210 420	291 008	8 064	—	509 492

	Specialist Banking^				
	Private Client				
For the year to 31 March 2020^ R'million	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group costs	**Total**
Group					
Net interest income/(expense)	4 892	4 157	(376)	—	8 673
Net fee and commission income	1 044	1 572	—	—	2 616
Investment income	263	148	190	—	601
Share of post-taxation (loss)/profit of associates	(23)	—	343	—	320
Trading income/(loss) arising from					
– customer flow	1	442	—	—	443
– balance sheet management and other trading activities	8	(110)	52	—	(50)
Total operating income before expected credit loss impairment charges	**6 185**	**6 209**	**209**	**—**	**12 603**
Expected credit loss impairment charges	(378)	(570)	(140)	—	(1 088)
Operating income	**5 807**	**5 639**	**69**	**—**	**11 515**
Operating costs	(3 218)	(3 079)	—	(335)	(6 632)
Profit/(loss) before goodwill, acquired intangibles and taxation	**2 589**	**2 560**	**69**	**(335)**	**4 883**
Cost to income ratio	52.0%	49.6%	n/a	n/a	52.6%
Total assets (R'million)	205 729	321 463	8 778	—	535 970

^ In terms of IFRS 8 Operating Segments, the below operating segments were changed, after management concluded that key operating decision makers of Investec Bank Limited review the operating results as follows:
- Investec Private Banking
- Investec Corporate, Investment Banking and Other
- Group Investments
- Group costs

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as separate segments for the first time in the 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. Segmental analysis (continued)

For the year to 31 March 2021 R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total
Company					
Net interest income/(expense)	4 442	4 053	(270)	—	8 225
Net fee and commission income	932	1 291	—	—	2 223
Investment income/(loss)	7	(21)	455	—	441
Share of post-taxation profit of associates	—	—	89	—	89
Trading income/(loss) arising from					
– customer flow	—	601	—	—	601
– balance sheet management and other trading activities	—	(158)	(65)	—	(223)
Other operating income	—	1	—	—	1
Total operating income before expected credit loss impairment charges	**5 381**	**5 767**	**209**	**—**	**11 357**
Expected credit loss impairment charges	(38)	(501)	—	—	(539)
Operating income	**5 343**	**5 266**	**209**	**—**	**10 818**
Operating costs	(2 958)	(2 958)	—	(324)	(6 240)
Profit/(loss) before goodwill, acquired intangibles and taxation	**2 385**	**2 308**	**209**	**(324)**	**4 578**
Cost to income ratio (%)	55.0%	51.3%	n/a	n/a	54.9%
Total assets (R'million)	204 589	274 624	8 064	—	487 277

For the year to 31 March 2020^ R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total
Company					
Net interest income/(expense)	4 699	3 570	(376)	—	7 893
Net fee and commission income	1 009	1 505	—	—	2 514
Investment income	263	406	190	—	859
Share of post-taxation profit of associates	—	—	343	—	343
Trading income/(loss) arising from					
– customer flow	—	451	—	—	451
– balance sheet management and other trading activities	2	(51)	52	—	3
Total operating income before expected credit loss impairment charges	**5 973**	**5 881**	**209**	**—**	**12 063**
Expected credit loss impairment charges	(375)	(584)	(140)	—	(1 099)
Operating income	**5 598**	**5 297**	**69**	**—**	**10 964**
Operating costs	(3 208)	(2 962)	—	(335)	(6 505)
Profit/(loss) before goodwill, acquired intangibles and taxation	**2 390**	**2 335**	**69**	**(335)**	**4 459**
Cost to income ratio	53.7%	50.4%	n/a	n/a	53.9%
Total assets (R'million)	197 987	304 818	8 778	—	511 583

^ In terms of IFRS 8 Operating Segments, the below operating segments were changed, after management concluded that key operating decision makers of Investec Bank Limited review the operating results as follows:
- Investec Private Banking
- Investec Corporate, Investment Banking and Other
- Group Investments
- Group costs

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as separate segments for the first time in the 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2. Net interest income

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest income	2021 Average yield	2020^ Average balance sheet value	2020^ Interest income	2020^ Average yield
Group							
Cash, near cash and bank debt and sovereign debt securities	1	161 758	5 424	3.35%	134 063	7 884	5.88%
Core loans and advances	2	281 126	19 599	6.97%	272 802	26 162	9.59%
Private client		205 004	13 477	6.57%	194 964	18 373	9.42%
Corporate, institutional and other clients		76 122	6 122	8.04%	77 838	7 789	10.01%
Other debt securities and other loans and advances		16 263	899	5.53%	15 019	812	5.41%
Other	3	18 645	448	n/a	21 503	421	n/a
		477 792	**26 370**		**443 387**	**35 279**	

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest expense	2021 Average yield	2020 Average balance sheet value	2020 Interest expense	2020 Average yield
Deposits by banks and other debt related securities	4	59 140	(1 447)	2.45%	50 598	(1 861)	3.68%
Customer accounts (deposits)		369 007	(14 999)	4.06%	348 025	(23 337)	6.71%
Subordinated liabilities		11 917	(803)	6.74%	13 059	(1 020)	7.81%
Other	5	5 547	(335)	n/a	4 003	(388)	n/a
		445 611	**(17 584)**		**415 685**	**(26 606)**	
Net interest income			**8 786**			**8 673**	
Net interest margin			**1.84%**			**1.96%**	

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line 13 point (full year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been: 1.84% (2020^: 1.87%)

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

^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
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2. Net interest income (continued)

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest income	2021 Average yield	2020^ Average balance sheet value	2020^ Interest income	2020^ Average yield
Company							
Cash, near cash and bank debt and sovereign debt securities	1	153 958	5 354	3.48%	126 388	7 673	6.07%
Core loans and advances	2	266 234	18 498	6.95%	256 777	24 557	9.56%
Private client		199 162	13 004	6.53%	189 875	17 506	9.22%
Corporate, institutional and other clients		67 072	5 494	8.19%	66 902	7 051	10.54%
Other debt securities and other loans and advances		15 910	894	5.62%	14 657	801	5.46%
Other	3	16 553	1 298	n/a	20 007	1 403	n/a
		452 655	**26 044**	**5.75%**	**417 829**	**34 434**	**8.24%**

For the year to 31 March R'million	Notes	2021 Average balance sheet value	2021 Interest expense	2021 Average yield	2020 Average balance sheet value	2020 Interest expense	2020 Average yield
Deposits by banks and other debt related securities	4	58 358	(1 414)	2.42%	49 412	(1 809)	3.66%
Customer accounts (deposits)		353 586	(14 887)	4.21%	332 955	(23 080)	6.93%
Subordinated liabilities		11 917	(803)	6.74%	13 059	(1 020)	7.81%
Other	5	6 794	(715)	n/a	5 913	(632)	n/a
		430 655	**(17 819)**	**4.14%**	**401 339**	**(26 541)**	**6.61%**
Net interest income			**8 225**			**7 893**	
Net interest margin			**1.82%**			**1.89%**	

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line thirteen point (full year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the year to 31 March 2021 would have been: 1.81% (2020^: 1.81%)

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

^ Restated as detailed on note 54.

3. Net fee and commission income

For the year to 31 March R'million	Group 2021	Group 2020^	Company 2021	Company 2020^
Specialist Banking net fee and commission income	**2 337**	**2 616**	**2 223**	**2 514**
Specialist Banking fee and commission income	2 804	3 106	2 672	2 995
Specialist Banking fee and commission expense	(467)	(490)	(449)	(481)
Net fee and commission income	**2 337**	**2 616**	**2 223**	**2 514**
Annuity fees (net of fees payable)	1 502	1 699	1 453	1 675
Deal fees	835	917	770	839

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

^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
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4. Investment income

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	**Investment portfolio**	Debt securities (sovereign bank and other)	Trading properties	Other asset categories	**Total**
Group									
2021									
Realised	183	(44)	—	51	190	63	(5)	—	248
Unrealised^	108	19	(200)	—	(73)	(19)	—	(46)	(138)
Dividend income	290	97	—	—	387	—	—	—	387
Funding and other net related costs	—	(24)	—	—	(24)	—	(1)	—	(25)
	581	**48**	**(200)**	**51**	**480**	**44**	**(6)**	**(46)**	**472**
2020									
Realised	(13)	45	—	162	194	110	11	(3)	312
Unrealised^	(86)	(93)	(131)	1	(309)	111	—	(53)	(251)
Dividend income	351	224	—	—	575	—	—	—	575
Funding and other net related costs	—	(36)	—	—	(36)	—	1	—	(35)
	252	**140**	**(131)**	**163**	**424**	**221**	**12**	**(56)**	**601**

For the year to 31 March R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	**Investment portfolio**	Debt securities (sovereign bank and other)	Trading properties	Other asset categories	**Total**
Company									
2021									
Realised	183	(44)	—	51	190	59	3	3	255
Unrealised^	109	—	(200)	—	(91)	(15)	—	(332)	(438)
Dividend income*	276	97	—	—	373	—	—	276	649
Funding and other net related costs	—	(24)	—	—	(24)	—	(1)	—	(25)
	568	**29**	**(200)**	**51**	**448**	**44**	**2**	**(53)**	**441**
2020									
Realised	43	69	—	142	254	110	9	—	373
Unrealised^	(141)	(91)	(131)	—	(363)	111	—	(515)	(767)
Dividend income*	345	224	—	—	569	—	—	719	1 288
Funding and other net related costs	—	(36)	—	—	(36)	—	1	—	(35)
	247	**166**	**(131)**	**142**	**424**	**221**	**10**	**204**	**859**

^ In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised item.
* In the company, dividend income from investments in subsidiaries is presented in “other asset categories”.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Expected credit loss impairment charges

For the year to 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Expected credit loss impairment charges are recognised on the following assets:				
Loans and advances to customers	510	1 015	494	943
Expected credit loss impairment charges (refer to note 26)	934	1 219	918	1 149
Post write-off recoveries	(424)	(204)	(424)	(206)
Own originated securitised assets	9	6	—	—
Core loans	**519**	**1 021**	**494**	**943**
Other balance sheet assets	37	43	37	131
Off-balance sheet commitments and guarantees	11	24	8	25
	567	**1 088**	**539**	**1 099**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

6. Operating costs

For the year to 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Staff compensation costs	4 950	4 754	4 845	4 738
Salaries and wages (including directors' remuneration*)	4 236	3 944	4 140	3 941
Share-based payments expense	405	498	396	487
Other	28	35	28	35
Pensions and provident fund contributions	281	277	281	275
Training and other costs	92	163	90	161
Staff costs	5 042	4 917	4 935	4 899
Business expenses**	422	629	378	588
Equipment expenses (excluding depreciation)	349	252	292	202
Premises expenses	217	272	202	259
Premises expenses (excluding depreciation)	54	92	44	84
Premises depreciation	163	180#	158	175#
Marketing expenses	256	353	253	350
Depreciation, amortisation and impairment on property, equipment, software and intangibles	183	209#	180	207#
	6 469	**6 632**	**6 240**	**6 505**
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group:				
Ernst & Young Inc. fees				
Total fees paid to the audit firm by virtue of being the group's auditor	33	34	24	24
Audit of the group's accounts	33	33	24	24
Audit related assurance services	^	1	—	—
KPMG Inc. fees				
Total fees paid to the audit firm by virtue of being the group's subsidiary auditor	43	36	32	28
Audit of the group's accounts	37	33	32	28
Audit of the group's subsidiaries pursuant to legislation	6	3	—	—
Total fees paid to the audit firm not in the capacity of being the group's auditor	1	—	—	—
Audit related assurance services	1	—	—	—
Tax compliance services	^	—	—	—
Tax advisory services	^	—	—	—
Total	**77**	**70**	**56**	**52**

* Details of the directors' emoluments, pensions and their interests are disclosed in note 56.
** Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
# Premises depreciation of R77 million was reclassified from depreciation, amortisation and impairment on property, equipment, software and intangibles to premises depreciation.
^ Less than R1 million

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7. Share-based payments

The group operates share option and long-term share incentive plans for employees which are on an equity-settled basis.

The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of the Investec group's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

Further information on the group share options and long-term share incentive plans are provided in note 56 and on our website.

	Group		Company	
For the year to 31 March	**2021**	2020	**2021**	2020
Details of awards outstanding during the year				
Outstanding at the beginning of the year	18 380 513	19 753 916	17 780 036	18 010 877
Re-location of employees during the year	239 669	10 436	195 623	1 116 470
Granted during the year	9 136 760	5 353 790	8 880 229	5 168 782
Exercised during the year^	(4 257 282)	(5 992 317)	(4 107 479)	(5 772 611)
Lapsed during the year	(620 957)	(745 312)	(589 968)	(743 482)
Outstanding at the end of the year	**22 878 703**	**18 380 513**	**22 158 441**	**17 780 036**
Vested and exercisable at the end of the year	**355 042**	**511 860**	**352 374**	**504 929**

^ The weighted average share price during the year was R36.18 (2020: R56.00) and the weighted average exercise price during the year was Rnil (2020: Rnil).

	Group		Company	
For the year to 31 March	**2021**	2020	**2021**	2020
The exercise price range and weighted average remaining contractual life for the options and shares granted during the year were as follows:				
Long-term incentive options and long-term shares with no strike price				
Exercise price	Rnil	Rnil	Rnil	Rnil
Weighted average remaining contractual life of outstanding awards	2.14 years	2.10 years	2.14 years	2.10 years
Weighted average fair values of options and long-term grants granted during the period	R32.74	R88.00	R32.70	R88.00
The fair value of shares granted were calculated at market price. For shares granted during the year, the inputs were as follows:				
Share price at date of grant	R32.36 – R38.68	R88.00	R32.36 – R38.68	R88.00
Exercise price	Rnil	Rnil	Rnil	Rnil
Option life	3.73 – 4.76 years	3.75 – 4.75 years	3.73 – 4.76 years	3.75 – 4.75 years

For information on the share options granted to directors, refer to pages 135 to 137 in note 56.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Long-term employee benefits

In March 2020, as part of the IAM demerger, each participant of the Investec share option and long-term share incentive plans for employees, received the right to one Ninety One share award for every two Investec share awards they had. The Ninety One share awards were granted on the same terms and vesting period as the Investec awards they related to.

Investec has an obligation to deliver Ninety One shares to the holders of Investec share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of R133 million in the group and R130 million in the company was calculated at the date of demerger for the portion of the awards already vested. The total value of the liability represented was accounted for in retained income. The liability was subsequently measured through profit or loss.

The IAS 19 long-term employment benefit liability movement recognised in the income statement for the year ended 31 March 2021 was a loss of R172.9 million (2020: gain of R5.2 million) in the group and a loss of R169.4 million (2020: gain of R5.1 million) in the company.

	Group		Company	
For the year to 31 March	**2021**	2020	**2021**	2020
Details of awards outstanding during the year				
Outstanding at the beginning of the year	9 187 065	—	8 887 007	—
IAM Demerger – Ninety One Share awards issued 16 March 2020	—	9 446 450	—	9 146 575
Re-location of employees during the year	142 250	4 444	125 226	(114)
Exercised during the year	(2 078 368)	(246 638)	(2 003 816)	(242 263)
Lapsed during the year	(234 625)	(17 191)	(226 456)	(17 191)
Outstanding at the end of the year	**7 016 322**	**9 187 065**	**6 781 961**	**8 887 007**
Exercisable at the end of the year	**210 879**	**252 159**	**209 277**	**248 890**

	Group		Company	
For the year to 31 March	**2021**	2020	**2021**	2020
The exercise price range and weighted average remaining contractual life for options and shares outstanding were as follows:				
Long-term incentive options and long-term shares with no strike price				
Exercise price	Rnil	Rnil	Rnil	Rnil
Weighted average remaining contractual life	1.47 years	2.10 years	1.48 years	2.10 years
The fair value of the liability was calculated by using the Black-Scholes option pricing model.				
For the liability calculated the inputs into the model were as follows:				
Share price at 31 March	R48.00	R30.55	R48.00	R30.55
Exercise price	Rnil	Rnil	Rnil	Rnil
Expected volatility	35.35%	56.82%	35.35%	56.82%
Option life	0 – 3.16 years	0.14 – 4.19 years	0 – 3.16 years	0.14 – 4.19 years
Expected dividend yields	0% – 4.51%	0% – 6.28%	0% – 4.51%	0% – 6.28%
Risk-free rate	3.32% – 5.97%	5.73% – 7.71%	3.32% – 5.97%	5.73% – 7.71%

The liability has been calculated at 31 March 2021 by using the listed market price as at 31 March 2021.

Management concluded that the share price used to calculate the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Taxation

For the year to 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Income statement tax charge				
Taxation on income				
South Africa	841	769	800	734
– Current taxation	1 109	854	1 064	905
in respect of the current year	1 109	1 010	1 064	1 061
in respect of prior year adjustments	—	(156)	—	(156)
– Deferred taxation	(268)	(85)	(264)	(171)
Foreign taxation – Mauritius	23	33	—	—
Total taxation charge as per income statement	**864**	**802**	**800**	**734**
Total taxation charge for the year comprises:				
Taxation on operating profit before acquired intangibles	878	816	800	734
Taxation on acquired intangibles	(14)	(14)	—	—
	864	**802**	**800**	**734**
Tax rate reconciliation:				
Profit before taxation as per income statement	4 861	3 892	4 477	3 519
Total taxation charge as per income statement	864	802	800	734
Effective rate of taxation	17.8%	20.6%	17.9%	20.9%
The standard rate of South African normal taxation has been affected by:				
Dividend income	6.4%	6.4%	6.7%	12.8%
Foreign earnings*	1.7%	3.0%	—	—
Release of provisions	4.8%	—	5.2%	—
Prior year tax adjustments	—	4.0%	—	1.4%
Profits of capital nature	0.2%	—	0.3%	0.1%
Other Additional Tier 1 dividends	0.3%	0.4%	0.3%	0.4%
Tax impact of equity accounted earnings of associate	0.5%	2.5%	0.6%	2.7%
Impairment of associates and subsidiaries	(2.1%)	(6.6%)	(2.3%)	(10.9%)
Group restructures	—	(0.4%)	—	2.3%
Other non-taxable/non-deductible differences	(1.6%)	(1.9%)	(0.7%)	(1.7%)
	28.0%	**28.0%**	**28.0%**	**28.0%**

* Includes the effect of cumulative tax losses and other permanent differences relating to foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Taxation (continued)

For the year to 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
The deferred taxation charge/(credit) in the income statement arises from:				
Deferred capital allowances	(1)	(13)	—	—
Income and expenditure accruals	(259)	(170)	(277)	(189)
Unrealised fair value adjustments on financial instruments	(58)	185	(54)	183
Deferred taxation on acquired intangibles	(15)	(14)	—	—
Expected credit losses	25	(43)	27	(79)
Finance lease accounting	40	(32)	40	(86)
	(268)	**(87)**	**(264)**	**(171)**
Other comprehensive income taxation effects				
Fair value movements on cash flow hedges taken directly to other comprehensive income	11	(619)	1	(610)
– Pre-taxation	41	(1 019)	31	(1 010)
– Deferred taxation effect	151	137	151	137
– Current taxation effect	(181)	263	(181)	263
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	2 025	(1 908)	1 970	(1 868)
– Pre-taxation	2 833	(2 754)	2 778	(2 714)
– Income taxation effect	(808)	846	(808)	846
Gain on realisation of debt instruments at FVOCI recycled through the income statement	(33)	(79)	(33)	(79)
– Pre-taxation	(46)	(110)	(46)	(110)
– Deferred taxation effect	13	31	13	31
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	415	(1 187)	415	(1 187)
– Pre-taxation	538	(1 505)	538	(1 505)
– Deferred taxation effect	(123)	318	(123)	318
Net (loss)/gain attributable to own credit risk	(14)	1	(14)	1
– Pre-taxation	(18)	1	(18)	1
– Income taxation effect	4	—	4	—

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Headline earnings

For the year to 31 March R'million	Group 2021	Group 2020
Profit after taxation	3 997	3 090
Dividend paid to perpetual preference shareholders and other Additional Tier 1 security holders	(155)	(186)
Gain on redemption of perpetual preference shares	17	—
Earnings attributable to ordinary shareholders	**3 859**	**2 904**
Headline adjustments, net of taxation^	274	940
Impairment of goodwill	3	3
Impairment of associates	98	937
Headline adjustments of equity accounted associates	173	—
Headline earnings attributable to ordinary shareholders	**4 133**	**3 844**

^ These amounts are net of associate taxation within equity accounted earnings of R47.7 million (2020: Rnil).

11. Dividends

For the year to 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Ordinary dividend	**600**	**1 050**	**600**	**1 050**
Perpetual preference dividend				
Final dividend in prior year	63	65	63	65
Interim dividend for current year	47	66	47	66
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**110**	**131**	**110**	**131**
The directors have declared a final dividend in respect of the financial year ended 31 March 2021 of 290.85595 cents (2020: 409.64891 cents) per perpetual preference share.				
Dividends attributable to other Additional Tier 1 securities in issue				
The dividends paid on other Additional Tier 1 floating rate notes pay dividends on a quarterly basis. Refer to note 44 for detail on rates.	45	55	45	55
Total dividends declared to other equity holders including other Additional Tier 1 securities	**155**	**186**	**155**	**186**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12. Analysis of income and impairments by category of financial instrument

	At fair value through profit or loss		
	IFRS 9 mandatory		
For the year to 31 March R'million	Trading**	Non-trading**	Designated at inception
Group			
2021			
Interest income	332	857	1 204
Interest expense	(148)	—	(738)
Fee and commission income	—	—	—
Fee and commission expense	(1)	—	—
Investment income	16	179	90
Share of post-taxation profit of associates	—	—	—
Trading income arising from			
– customer flow	707	(159)	—
– balance sheet management and other trading activities	(414)	(2)	301
Other operating income	—	—	—
Total operating income before expected credit loss impairment charges	**492**	**875**	**857**
Expected credit loss impairments charges*	—	—	(48)
Operating income	**492**	**875**	**809**
2020^			
Interest income	372	1 665	1 219
Interest expense	(147)	—	(1 034)
Fee and commission income	—	—	—
Fee and commission expense	—	—	—
Investment income	—	128	266
Share of post-taxation profit of associates	—	—	—
Trading income arising from			
– customer flow	511	(26)	—
– balance sheet management and other trading activities	544	10	(386)
Total operating income before expected credit loss impairment charges	**1 280**	**1 777**	**65**
Expected credit loss impairments charges*	—	—	(45)
Operating income	**1 280**	**1 777**	**20**

* Includes off-balance sheet items.
** Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.
^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income					
Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income*	**Total**
3 818	—	20 150	1	8	26 370
—	—	(16 665)	(33)	—	(17 584)
—	—	2 030	15	759	2 804
(3)	—	(402)	—	(61)	(467)
13	222	(55)	7	—	472
—	—	—	81	—	81
—	—	79	—	—	627
—	—	(142)	—	—	(257)
—	—	2	—	1	3
3 828	**222**	**4 997**	**71**	**707**	**12 049**
(24)	—	(484)	—	(11)	(567)
3 804	**222**	**4 513**	**71**	**696**	**11 482**
4 621	—	27 394	1	7	35 279
—	—	(25 377)	(48)	—	(26 606)
—	—	2 152	95	859	3 106
(4)	—	(450)	—	(36)	(490)
103	260	(121)	—	(35)	601
—	—	—	320	—	320
—	—	(42)	—	—	443
—	—	(218)	—	—	(50)
4 720	**260**	**3 338**	**368**	**795**	**12 603**
(22)	—	(997)	—	(24)	(1 088)
4 698	**260**	**2 341**	**368**	**771**	**11 515**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12. Analysis of income and impairments by category of financial instrument (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
For the year to 31 March R'million	Trading**	Non-trading**	Designated at inception
Company			
2021			
Interest income	197	839	1 204
Interest expense	(43)	—	(738)
Fee and commission income	—	—	—
Fee and commission expense	(1)	—	—
Investment income	—	185	78
Share of post-taxation profit of associates	—	—	—
Trading income arising from			
– customer flow	680	(159)	—
– balance sheet management and other trading activities	(367)	(2)	301
Other operating income	—	—	—
Total operating income before expected credit loss impairment charges	**466**	**863**	**845**
Expected credit loss impairments charges*	—	—	(48)
Operating income	**466**	**863**	**797**
2020^			
Interest income	177	1 637	1 219
Interest expense	(66)	—	(1 034)
Fee and commission income	—	—	—
Fee and commission expense	—	—	—
Investment income	—	128	266
Share of post-taxation profit of associates	—	—	
Trading income arising from			
– customer flow	520	(26)	—
– balance sheet management and other trading activities	544	11	(386)
Total operating income before expected credit loss impairment charges	**1 175**	**1 750**	**65**
Expected credit loss impairments charges*	—	—	(45)
Operating income	**1 175**	**1 750**	**20**

* Includes off-balance sheet items.
** Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.
^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through comprehensive income					
Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income*	**Total**
3 788	—	20 007	1	8	26 044
—	—	(17 005)	(33)	—	(17 819)
—	—	1 913	—	759	2 672
(3)	—	(384)	—	(61)	(449)
11	222	(55)	—	—	441
—	—	—	89	—	89
—	—	80	—	—	601
—	—	(155)	—	—	(223)
—	—	—	—	1	1
3 796	**222**	**4 401**	**57**	**707**	**11 357**
(24)	—	(456)	—	(11)	(539)
3 772	**222**	**3 945**	**57**	**696**	**10 818**
4 602	—	26 791	1	7	34 434
—	—	(25 393)	(48)	—	(26 541)
—	—	2 055	82	858	2 995
(4)	—	(441)	—	(36)	(481)
103	260	(122)	260	(36)	859
—	—	—	343	—	343
—	—	(43)	—	—	451
—	—	(166)	—	—	3
4 701	**260**	**2 681**	**638**	**793**	**12 063**
(20)	—	(1 009)	—	(25)	(1 099)
4 681	**260**	**1 672**	**638**	**768**	**10 964**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of financial assets and liabilities by category of financial instrument

	At fair value through profit and loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading**	Non-trading**	Designated at initial recognition
Group			
2021			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Non-sovereign and non-bank cash placements	23	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	6 605	5 872	—
Sovereign debt securities	—	3 266	—
Bank debt securities	—	288	—
Other debt securities	—	60	—
Derivative financial instruments*	19 173	—	—
Securities arising from trading activities	2 307	562	—
Investment portfolio	—	2 990	—
Loans and advances to customers	—	1 421	22 288
Own originated loans and advances to customers securitised	—	—	—
Other loans and advances	—	—	—
Other securitised assets	—	—	—
Interests in associated undertakings	—	—	—
Current taxation assets	—	—	—
Deferred taxation assets	—	—	—
Other assets	2 138	310	—
Property and equipment	—	—	—
Investment properties	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
Loans to group companies	373	—	—
Non-current assets classified as held for sale	—	474	—
	30 619	**15 243**	**22 288**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments*	23 011	—	—
Other trading liabilities	3 388	—	—
Repurchase agreements and cash collateral on securities lent	4 357	—	—
Customer accounts (deposits)	—	—	21 310
Debt securities in issue	—	—	—
Liabilities arising on securitisation of own originated loans and advances	—	—	—
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	1 256	—	—
Loans from group companies	—	—	—
	32 012	**—**	**21 310**
Subordinated liabilities	—	—	—
	32 012	**—**	**21 310**

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.
** Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through other comprehensive income					
Debt instruments with a dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
—	—	—	9 653	—	9 653
—	—	—	24 666	—	24 666
—	—	23	8 933	—	8 956
—	—	12 477	17 744	—	30 221
40 612	—	43 878	9 131	—	53 009
16 582	—	16 870	4 992	—	21 862
8 633	—	8 693	5 477	—	14 170
—	—	19 173	—	—	19 173
—	—	2 869	—	—	2 869
—	1 933	4 923	—	—	4 923
—	—	23 709	251 347	—	275 056
—	—	—	8 184	—	8 184
—	—	—	181	—	181
—	—	—	578	—	578
—	—	—	—	5 149	5 149
—	—	—	—	35	35
—	—	—	—	2 412	2 412
—	—	2 448	2 335	2 599	7 382
—	—	—	—	2 740	2 740
—	—	—	—	1	1
—	—	—	—	175	175
—	—	—	—	95	95
—	—	—	—	118	118
—	—	373	17 037	—	17 410
—	—	474	—	—	474
65 827	**1 933**	**135 910**	**360 258**	**13 324**	**509 492**
—	—	—	17 144	—	17 144
—	—	23 011	—	—	23 011
—	—	3 388	—	—	3 388
—	—	4 357	12 236	—	16 593
—	—	21 310	353 059	—	374 369
—	—	—	2 126	—	2 126
—	—	—	3 271	—	3 271
—	—	—	—	684	684
—	—	—	—	32	32
—	—	1 256	2 484	3 681	7 421
—	—	—	1 972	—	1 972
—	**—**	**53 322**	**392 292**	**4 397**	**450 011**
—	—	—	12 936	—	12 936
—	**—**	**53 322**	**405 228**	**4 397**	**462 947**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of financial assets and liabilities by category of financial instrument (continued)

	At fair value through profit and loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading**	Non-trading**	Designated at initial recognition
Group			
2020^			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Non-sovereign and non-bank cash placements	—	545	—
Reverse repurchase agreements and cash collateral on securities borrowed	3 731	14 518	—
Sovereign debt securities	—	6 883	—
Bank debt securities	—	289	—
Other debt securities	—	3 736	—
Derivative financial instruments*	17 434	—	—
Securities arising from trading activities	2 932	246	—
Investment portfolio	—	4 400	—
Loans and advances to customers	—	2 167	20 702
Own originated loans and advances to customers securitised	—	—	—
Other loans and advances	—	—	—
Other securitised assets	—	—	—
Interests in associated undertakings	—	—	—
Current taxation assets	—	—	—
Deferred taxation assets	—	—	—
Other assets	727	17	—
Property and equipment	—	—	—
Investment properties	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
Loans to group companies	460	—	—
	25 284	**32 801**	**20 702**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments*	22 097	—	—
Other trading liabilities	4 521	—	—
Repurchase agreements and cash collateral on securities lent	3 175	—	—
Customer accounts (deposits)	—	—	44 601
Debt securities in issue	—	—	—
Liabilities arising on securitisation of own originated loans and advances	—	—	—
Current taxation liabilities	—	—	—
Deferred taxation liabilities	—	—	—
Other liabilities	924	—	—
Loans from group companies	—	—	—
	30 717	**—**	**44 601**
Subordinated liabilities	—	—	—
	30 717	**—**	**44 601**

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.
** Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.
^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through other comprehensive income					
Debt instruments with a dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
—	—	—	36 656	—	36 656
—	—	—	18 050	—	18 050
—	—	545	13 469	—	14 014
—	—	18 249	8 177	—	26 426
53 138	—	60 021	4 337	—	64 358
7 092	—	7 381	4 884	—	12 265
6 637	—	10 373	7 043	—	17 416
—	—	17 434	—	—	17 434
—	—	3 178	—	—	3 178
—	1 401	5 801	—	—	5 801
—	—	22 869	253 885	—	276 754
—	—	—	7 192	—	7 192
—	—	—	242	—	242
—	—	—	416	—	416
—	—	—	—	5 662	5 662
—	—	—	—	42	42
—	—	—	—	2 903	2 903
—	—	744	2 566	2 804	6 114
—	—	—	—	3 008	3 008
—	—	—	—	1	1
—	—	—	—	178	178
—	—	—	—	149	149
—	—	—	—	169	169
—	—	460	17 082	—	17 542
66 867	**1 401**	**147 055**	**373 999**	**14 916**	**535 970**
—	—	—	37 277	—	37 277
—	—	22 097	—	—	22 097
—	—	4 521	—	—	4 521
—	—	3 175	23 451	—	26 626
—	—	44 601	331 347	—	375 948
—	—	—	3 258	—	3 258
—	—	—	1 699	—	1 699
—	—	—	—	315	315
—	—	—	—	47	47
—	—	924	2 837	3 829	7 590
—	—	—	2 807	—	2 807
—	**—**	**75 318**	**402 676**	**4 191**	**482 185**
—	—	—	12 037	—	12 037
—	**—**	**75 318**	**414 713**	**4 191**	**494 222**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of financial assets and liabilities by category of financial instrument (continued)

	At fair value through profit and loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading**	Non-trading**	Designated at initial recognition
Company			
2021			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Non-sovereign and non-bank cash placements	23	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	6 605	5 872	—
Sovereign debt securities	—	3 266	—
Bank debt securities	—	288	—
Other debt securities	—	60	—
Derivative financial instruments*	19 168	—	—
Securities arising from trading activities	2 307	15	—
Investment portfolio	—	2 735	—
Loans and advances to customers	—	1 421	22 288
Other loans and advances	—	—	—
Interests in associated undertakings	—	—	—
Deferred taxation assets	—	—	—
Other assets	2 138	310	—
Property and equipment	—	—	—
Investment properties	—	—	—
Goodwill	—	—	—
Software	—	—	—
Loans to group companies	373	—	—
Investment in subsidiaries	—	—	—
Non-current assets classified as held for sale	—	474	—
	30 614	**14 441**	**22 288**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments*	22 747	—	—
Other trading liabilities	3 388	—	—
Repurchase agreements and cash collateral on securities lent	4 357	—	—
Customer accounts (deposits)	—	—	21 310
Debt securities in issue	—	—	—
Current taxation liabilities	—	—	—
Other liabilities	1 256	—	—
Loans from group companies and subsidiaries	—	—	—
	31 748	**—**	**21 310**
Subordinated liabilities	—	—	—
	31 748	**—**	**21 310**

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.
** Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through other comprehensive income					
Debt instruments with a dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
—	—	—	9 343	—	9 343
—	—	—	17 848	—	17 848
—	—	23	8 933	—	8 956
—	—	12 477	16 637	—	29 114
40 612	—	43 878	9 131	—	53 009
16 085	—	16 373	4 993	—	21 366
8 633	—	8 693	5 183	—	13 876
—	—	19 168	—	—	19 168
—	—	2 322	—	—	2 322
—	1 933	4 668	—	—	4 668
—	—	23 709	245 647	—	269 356
—	—	—	211	—	211
—	—	—	—	5 117	5 117
—	—	—	—	2 394	2 394
—	—	2 448	2 365	2 195	7 008
—	—	—	—	2 725	2 725
—	—	—	—	1	1
—	—	—	—	4	4
—	—	—	—	97	97
—	—	373	15 374	—	15 747
—	—	—	3 829	644	4 473
—	—	474	—	—	474
65 330	**1 933**	**134 606**	**339 494**	**13 177**	**487 277**
—	—	—	17 144	—	17 144
—	—	22 747	—	—	22 747
—	—	3 388	—	—	3 388
—	—	4 357	12 236	—	16 593
—	—	21 310	337 888	—	359 198
—	—	—	1 346	—	1 346
—	—	—	—	631	631
—	—	1 256	1 845	3 599	6 700
—	—	—	6 378	—	6 378
—	**—**	**53 058**	**376 837**	**4 230**	**434 125**
—	—	—	12 936	—	12 936
—	**—**	**53 058**	**389 773**	**4 230**	**447 061**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

13. Analysis of financial assets and liabilities by category of financial instrument (continued)

	At fair value through profit and loss		
	IFRS 9 mandatory		
At 31 March R'million	Trading**	Non-trading**	Designated at initial recognition
Company			
2020^			
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Non-sovereign and non-bank cash placements	—	545	—
Reverse repurchase agreements and cash collateral on securities borrowed	3 731	14 518	—
Sovereign debt securities	—	6 883	—
Bank debt securities	—	—	—
Other debt securities	—	3 701	—
Derivative financial instruments*	17 429	—	—
Securities arising from trading activities	2 932	—	—
Investment portfolio	—	4 189	—
Loans and advances to customers	—	2 167	20 702
Other loans and advances	—	—	—
Interests in associated undertakings	—	—	—
Deferred taxation assets	—	—	—
Other assets	727	17	—
Property and equipment	—	—	—
Investment properties	—	—	—
Goodwill	—	—	—
Software	—	—	—
Loans to group companies	460	—	—
Investment in subsidiaries	—	—	—
	25 279	**32 020**	**20 702**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments*	22 158	—	—
Other trading liabilities	4 521	—	—
Repurchase agreements and cash collateral on securities lent	3 175	—	—
Customer accounts (deposits)	—	—	44 601
Debt securities in issue	—	—	—
Current taxation liabilities	—	—	—
Other liabilities	924	—	—
Loans from group companies and subsidiaries	—	—	—
	30 778	**—**	**44 601**
Subordinated liabilities	—	—	—
	30 778	**—**	**44 601**

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.
** Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or hedge elements of the trading book.
^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

At fair value through other comprehensive income					
Debt instruments with a dual business model	Equity instruments	**Total instruments at fair value**	**Amortised cost**	Non-financial instruments or scoped out of IFRS 9	**Total**
—	—	—	36 374	—	36 374
—	—	—	12 080	—	12 080
—	—	545	13 760	—	14 305
—	—	18 249	6 838	—	25 087
53 138	—	60 021	4 337	—	64 358
6 473	—	6 473	4 884	—	11 357
6 617	—	10 318	6 638	—	16 956
—	—	17 429	—	—	17 429
—	—	2 932	—	—	2 932
—	1 401	5 590	—	—	5 590
—	—	22 869	244 510	—	267 379
—	—	—	268	—	268
—	—	—	—	5 611	5 611
—	—	—	—	2 874	2 874
—	—	744	2 510	2 659	5 913
—	—	—	—	2 987	2 987
—	—	—	—	1	1
—	—	—	—	7	7
—	—	—	—	151	151
—	—	460	15 305	—	15 765
—	—	—	3 228	931	4 159
66 228	**1 401**	**145 630**	**350 732**	**15 221**	**511 583**
—	—	—	37 277	—	37 277
—	—	22 158	—	—	22 158
—	—	4 521	—	—	4 521
—	—	3 175	23 451	—	26 626
—	—	44 601	314 041	—	358 642
—	—	—	2 428	—	2 428
—	—	—	—	296	296
—	—	924	2 534	3 660	7 118
—	—	—	5 890	—	5 890
—	**—**	**75 379**	**385 621**	**3 956**	**464 956**
—	—	—	12 037	—	12 037
—	**—**	**75 379**	**397 658**	**3 956**	**476 993**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
At 31 March R'million	**Total instruments at fair value**	Level 1	Level 2	Level 3
Group				
2021				
Assets				
Non-sovereign and non-bank cash placements	23	—	23	—
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	—	12 477	—
Sovereign debt securities	43 878	43 878	—	—
Bank debt securities	16 870	8 197	8 673	—
Other debt securities	8 693	1 393	7 300	—
Derivative financial instruments	19 173	6	19 167	—
Securities arising from trading activities	2 869	2 686	183	—
Investment portfolio	4 923	2 155	6	2 762
Loans and advances to customers	23 709	—	23 674	35
Other assets	2 448	2 448	—	—
Loans to group companies	373	—	373	—
Non-current assets classified as held for sale	474	—	—	474
	135 910	**60 763**	**71 876**	**3 271**
Liabilities				
Derivative financial instruments	23 011	934	22 077	—
Other trading liabilities	3 388	47	3 341	—
Repurchase agreements and cash collateral on securities lent	4 357	—	4 357	—
Customer accounts (deposits)	21 310	—	21 310	—
Other liabilities	1 256	—	1 256	—
	53 322	**981**	**52 341**	**—**
Net financial assets at fair value	**82 588**	**59 782**	**19 535**	**3 271**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Group				
2020				
Assets				
Non-sovereign and non-bank cash placements	545	—	545	—
Reverse repurchase agreements and cash collateral on securities borrowed	18 249	—	18 249	—
Sovereign debt securities	60 021	60 021	—	—
Bank debt securities	7 381	5 543	1 838	—
Other debt securities	10 373	5 869	4 504	—
Derivative financial instruments	17 434	80	17 354	—
Securities arising from trading activities	3 178	3 111	67	—
Investment portfolio	5 801	2 570	51	3 180
Loans and advances to customers	22 869	—	22 204	665
Other assets	744	744	—	—
Loans to group companies	460	—	460	—
	147 055	**77 938**	**65 272**	**3 845**
Liabilities				
Derivative financial instruments	22 097	—	22 097	—
Other trading liabilities	4 521	50	4 471	—
Repurchase agreements and cash collateral on securities lent	3 175	—	3 175	—
Customer accounts (deposits)	44 601	—	44 601	—
Other liabilities	924	—	924	—
	75 318	**50**	**75 268**	**—**
Net financial assets/(liabilities) at fair value	**71 737**	**77 888**	**(9 996)**	**3 845**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2021				
Assets				
Non-sovereign and non-bank cash placements	23	—	23	—
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	—	12 477	—
Sovereign debt securities	43 878	43 878	—	—
Bank debt securities	16 373	7 700	8 673	—
Other debt securities	8 693	1 393	7 300	—
Derivative financial instruments	19 168	6	19 162	—
Securities arising from trading activities	2 322	2 199	123	—
Investment portfolio	4 668	2 155	6	2 507
Loans and advances to customers	23 709	—	23 674	35
Other assets	2 448	2 448	—	—
Loans to group companies	373	—	373	—
Non-current assets classified held for sale	474	—	—	474
	134 606	**59 779**	**71 811**	**3 016**
Liabilities				
Derivative financial instruments	22 747	935	21 812	—
Other trading liabilities	3 388	47	3 341	—
Repurchase agreements and cash collateral on securities lent	4 357	—	4 357	—
Customer accounts (deposits)	21 310	—	21 310	—
Other liabilities	1 256	—	1 256	—
	53 058	**982**	**52 076**	**—**
Net financial assets at fair value	**81 548**	**58 797**	**19 735**	**3 016**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

At 31 March R'million	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Company				
2020				
Assets				
Non-sovereign and non-bank cash placements	545	—	545	—
Reverse repurchase agreements and cash collateral on securities borrowed	18 249	—	18 249	—
Sovereign debt securities	60 021	60 021	—	—
Bank debt securities	6 473	4 635	1 838	—
Other debt securities	10 318	5 834	4 484	—
Derivative financial instruments	17 429	80	17 349	—
Securities arising from trading activities	2 932	2 865	67	—
Investment portfolio	5 590	2 569	8	3 013
Loans and advances to customers	22 869	—	22 204	665
Other assets	744	744	—	—
Loans to group companies	460	—	460	—
	145 630	**76 748**	**65 204**	**3 678**
Liabilities				
Derivative financial instruments	22 158	—	22 158	—
Other trading liabilities	4 521	50	4 471	—
Repurchase agreements and cash collateral on securities lent	3 175	—	3 175	—
Customer accounts (deposits)	44 601	—	44 601	—
Other liabilities	924	—	924	—
	75 379	**50**	**75 329**	**—**
Net financial assets/(liabilities) at fair value	**70 251**	**76 698**	**(10 125)**	**3 678**

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

Measurement of fair value financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

Level 3 instruments

The following tables show a reconciliation of the opening balances to the closing balances for level 3 financial instruments. All instruments are at fair value through profit or loss.

Group

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2019	3 219	667	—	3 886
Net losses recognised in the income statement	(107)	(4)	—	(111)
Purchases	429	6	—	435
Sales	(383)	—	—	(383)
Settlements	(245)	(4)	—	(249)
Transfers into level 3	245	—	—	245
Foreign exchange adjustments	22	—	—	22
Balance at 31 March 2020	**3 180**	**665**	**—**	**3 845**
Net losses recognised in the income statement	(201)	(17)	—	(218)
Purchases	504	1	—	505
Sales	(107)	(10)	—	(117)
Settlements	(135)	(604)	—	(739)
Transfer to non-current assets classified as held for sale^	(474)	—	474	—
Foreign exchange adjustments	(5)	—	—	(5)
Balance at 31 March 2021	**2 762**	**35**	**474**	**3 271**

Company

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2019	2 856	63	799	3 718
Net losses recognised in the income statement	(107)	(4)	—	(111)
Purchases	483	610	—	1 093
Sales	(240)	—	—	(240)
Settlements	(245)	(4)	(799)	(1 048)
Transfers into level 3	245	—	—	245
Foreign exchange adjustments	21	—	—	21
Balance at 31 March 2020	**3 013**	**665**	**—**	**3 678**
Net losses recognised in the income statement	(201)	(17)	—	(218)
Purchases	392	1	—	393
Sales	(107)	(10)	—	(117)
Settlements	(114)	(604)	—	(718)
Transfer to non-current assets classified as held for sale^	(474)	—	474	—
Foreign exchange adjustments	(2)	—	—	(2)
Balance at 31 March 2021	**2 507**	**35**	**474**	**3 016**

^ For the year to 31 March 2021, certain equity investments to the value of R474.2 million were transferred out of investment portfolio to non-current assets held for sale in anticipation of the sale to occur in the short term. These equity investments form part of the Corporate, Investment Banking and Other segment.

For the year ended 31 March 2021, there were no transfers into and out of level 3, in the group and company.For the year ended 31 March 2020, R245 million of level 2 instruments have been transferred into level 3 due to delisting of instruments, in the group and company.

The group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods change.

NOTES TO THE FINANCIAL STATEMENTS
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14. Financial instruments at fair value (continued)

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

For the year to 31 March R'million	Total	Realised	Unrealised
Group			
2021			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(218)	(45)	(173)
	(218)	**(45)**	**(173)**
2020			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(111)	55	(166)
	(111)	**55**	**(166)**

For the year to 31 March R'million	Total	Realised	Unrealised
Company			
2021			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(218)	(45)	(173)
	(218)	**(45)**	**(173)**
2020			
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(111)	55	(166)
	(111)	**55**	**(166)**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

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

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

At 31 March 2021	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Group						
Assets						
Investment portfolio	2 762				**511**	**(435)**
		Price earnings	EBITDA	*	409	(275)
		Discounted cash flow	Discount rate	13% – 14%	2	—
		Discounted cash flow	Cash flows	*	23	(23)
		Net asset value	Underlying asset value	^	42	(75)
		Discounted cash flow	Precious and industrial metal price	(5%) – 5%	27	(27)
		Other	Various	**	8	(35)
Loans and advances to customers	35	Net asset value	Underlying asset value	^	4	(4)
Non-current assets classified as held for sale	474	Discounted cash flow	Discount rate	13% – 15%	13	(16)
Total	**3 271**				**528**	**(455)**

At 31 March 2020	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Group						
Assets						
Investment portfolio	3 180				**428**	**(555)**
		Price earnings	EBITDA	*	293	(290)
		Discounted cash flow	Discount rate	(0.1%)/1.9%	7	(67)
		Discounted cash flow	Cash flows	*	25	(25)
		Net asset value	Underlying asset value	^	24	(67)
		Discounted cash flow	Precious and industrial metal prices	(6%)/6%	16	(27)
		Other	Various	**	63	(79)
Loans and advances to customers	665				**48**	**(76)**
		Discounted cash flow	Cash flows	*	42	(70)
		Net asset value	Underlying asset value	^	6	(6)
Total	**3 845**				**476**	**(631)**

* The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
** The valuation sensitivity of certain equity investments have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.
^ Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

At 31 March 2021	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Company						
Assets						
Investment portfolio	2 507				**490**	**(419)**
		Price earnings	EBITDA	*	388	(259)
		Discounted cash flow	Discount rate	13% – 14%	2	—
		Discounted cash flow	Cash flows	*	23	(23)
		Net asset value	Underlying asset value	^	42	(75)
		Discounted cash flow	Precious and industrial metal prices	(5%) – 5%	27	(27)
		Other	Various	**	8	(35)
Loans and advances to customers	35	Net asset value	Underlying asset value	^	4	(4)
Non-current assets classified as held for sale	474	Discounted cash flow	Discount rates	13% – 15%	13	(16)
Total	**3 016**				**507**	**(439)**

At 31 March 2020	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Company						
Assets						
Investment portfolio	3 013				**428**	**(555)**
		Price earnings	EBITDA	*	293	(290)
		Discounted cash flow	Discount rate	(0.1%)/1.9%	7	(67)
		Discounted cash flow	Cash flows	*	25	(25)
		Net asset value	Underlying asset value	^	24	(67)
		Discounted cash flow	Precious and industrial metal prices	(6%)/6%	16	(27)
		Other	Various	**	63	(79)
Loans and advances to customers	665				**48**	**(76)**
		Discounted cash flow	Cash flows	*	42	(70)
		Net asset value	Underlying asset value	^	6	(6)
Total	**3 678**				**476**	**(631)**

* The EBITDA and cash flows have been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
** The valuation sensitivity of certain equity investments have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.
^ Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Financial instruments at fair value (continued)

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

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

Discount rate
Discount rates are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

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

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

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

Credit spreads
Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk a counter party. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

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

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value of financial instruments at amortised cost

At 31 March 2021 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts	Level 1	Level 2	Level 3
Group							
Assets							
Cash and balances at central banks	9 653	9 653	—	—	—	—	—
Loans and advances to banks	24 666	24 666	—	—	—	—	—
Non-sovereign and non-bank cash placements	8 933	8 933	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	17 744	1 107	16 637	16 635	—	16 635	—
Sovereign debt securities	9 131	—	9 131	9 299	9 299	—	—
Bank debt securities	4 992	1 713	3 279	3 469	3 469	—	—
Other debt securities	5 477	4 534	943	987	987	—	—
Loans and advances to customers	251 347	238 304	13 043	13 101	—	—	13 101
Own originated loans and advances to customers securitised	8 184	8 184	—	—	—	—	—
Other loans and advances	181	181	—	—	—	—	—
Other securitised assets	578	578	—	—	—	—	—
Other assets	2 335	2 335	—	—	—	—	—
Loans to group companies	17 037	17 037	—	—	—	—	—
	360 258	**317 225**	**43 033**	**43 491**	**13 755**	**16 635**	**13 101**
Liabilities							
Deposits by banks	17 144	302	16 842	17 053	—	17 053	—
Repurchase agreements and cash collateral on securities lent	12 236	—	12 236	12 281	—	12 281	—
Customer accounts (deposits)	353 059	233 339	119 720	120 098	—	120 098	—
Debt securities in issue	2 126	780	1 346	1 366	—	1 366	—
Liabilities arising on securitisation of own originated loans and advances	3 271	3 271	—	—	—	—	—
Other liabilities	2 484	2 484	—	—	—	—	—
Loans from group companies and subsidiaries	1 972	1 972	—	—	—	—	—
Subordinated liabilities	12 936	—	12 936	14 927	14 927	—	—
	405 228	**242 148**	**163 080**	**165 725**	**14 927**	**150 798**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value of financial instruments at amortised cost (continued)

At 31 March 2020 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts	Level 1	Level 2	Level 3
Group							
Assets							
Cash and balances at central banks	36 656	36 656	—	—	—	—	—
Loans and advances to banks	18 050	18 050	—	—	—	—	—
Non-sovereign and non-bank cash placements	13 469	13 469	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	8 177	1 339	6 838	6 836	—	6 836	—
Sovereign debt securities	4 337	—	4 337	5 077	5 077	—	—
Bank debt securities	4 884	2 070	2 814	2 713	2 713	—	—
Other debt securities	7 043	4 358	2 685	1 984	1 984	—	—
Loans and advances to customers	253 885	238 113	15 772	15 804	—	—	15 804
Own originated loans and advances to customers securitised	7 192	7 192	—	—	—	—	—
Other loans and advances	242	242	—	—	—	—	—
Other securitised assets	416	416	—	—	—	—	—
Other assets	2 566	2 566	—	—	—	—	—
Loans to group companies	17 082	17 082	—	—	—	—	—
	373 999	**341 553**	**32 446**	**32 414**	**9 774**	**6 836**	**15 804**
Liabilities							
Deposits by banks	37 277	398	36 879	37 370	—	37 370	—
Repurchase agreements and cash collateral on securities lent	23 451	—	23 451	23 281	—	23 281	—
Customer accounts (deposits)	331 347	149 327	182 020	182 600	—	182 600	—
Debt securities in issue	3 258	1 372	1 886	1 921	—	1 921	—
Liabilities arising on securitisation of own originated loans and advances	1 699	1 699	—	—	—	—	—
Other liabilities	2 837	2 837	—	—	—	—	—
Loans from group companies and subsidiaries	2 807	2 807	—	—	—	—	—
Subordinated liabilities	12 037	—	12 037	13 455	13 455	—	—
	414 713	**158 440**	**256 273**	**258 627**	**13 455**	**245 172**	**—**

This note has been restated to separately present those items where fair value approximates the carrying value. For items where fair values do not approximate to carrying value, fair value disclosures are presented above.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This includes demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value
Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debt instruments with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value of financial instruments at amortised cost (continued)

At 31 March 2021 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts	Level 1	Level 2	Level 3
Company							
Assets							
Cash and balances at central banks	9 343	9 343	—	—	—	—	—
Loans and advances to banks	17 848	17 848	—	—	—	—	—
Non-sovereign and non-bank cash placements	8 933	8 933	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	16 637	—	16 637	16 635	—	16 635	—
Sovereign debt securities	9 131	—	9 131	9 299	9 299	—	—
Bank debt securities	4 993	1 713	3 280	3 469	3 469	—	—
Other debt securities	5 183	4 239	944	987	987	—	—
Loans and advances to customers	245 647	245 647	—	—	—	—	—
Other loans and advances	211	211	—	—	—	—	—
Other assets	2 365	2 365	—	—	—	—	—
Loans to group companies	15 374	15 374	—	—	—	—	—
Investment in subsidiaries	3 829	3 829	—	—	—	—	—
	339 494	**309 502**	**29 992**	**30 390**	**13 755**	**16 635**	**—**
Liabilities							
Deposits by banks	17 144	302	16 842	17 053	—	17 053	—
Repurchase agreements and cash collateral on securities lent	12 236	—	12 236	12 281	—	12 281	—
Customer accounts (deposits)	337 888	223 891	113 997	114 359	—	114 359	—
Debt securities in issue	1 346	—	1 346	1 366	—	1 366	—
Other liabilities	1 845	1 845	—	—	—	—	—
Loans from group companies and subsidiaries	6 378	6 378	—	—	—	—	—
Subordinated liabilities	12 936	—	12 936	14 927	14 927	—	—
	389 773	**232 416**	**157 357**	**159 986**	**14 927**	**145 059**	**—**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value of financial instruments at amortised cost (continued)

At 31 March 2020 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts	Level 1	Level 2	Level 3
Company							
Assets							
Cash and balances at central banks	36 374	36 374	—	—	—	—	—
Loans and advances to banks	12 080	12 080	—	—	—	—	—
Non-sovereign and non-bank cash placements	13 760	13 760	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	6 838	—	6 838	6 836	—	6 836	—
Sovereign debt securities	4 337	—	4 337	5 077	5 077	—	—
Bank debt securities	4 884	2 070	2 814	2 713	2 713	—	—
Other debt securities	6 638	3 955	2 683	1 984	1 984	—	—
Loans and advances to customers	244 510	244 510	—	—	—	—	—
Other loans and advances	268	268	—	—	—	—	—
Other assets	2 510	2 510	—	—	—	—	—
Loans to group companies	15 305	15 305	—	—	—	—	—
Investment in subsidiaries	3 228	3 228	—	—	—	—	—
	350 732	**334 060**	**16 672**	**16 610**	**9 774**	**6 836**	**—**
Liabilities							
Deposits by banks	37 277	398	36 879	37 370	—	37 370	—
Repurchase agreements and cash collateral on securities lent	23 451	—	23 451	23 281	—	23 281	—
Customer accounts (deposits)	314 041	136 910	177 131	177 691	—	177 691	—
Debt securities in issue	2 428	542	1 886	1 921	—	1 921	—
Other liabilities	2 534	2 532	2	—	—	—	—
Loans from group companies and subsidiaries	5 890	5 890	—	—	—	—	—
Subordinated liabilities	12 037	—	12 037	13 455	13 455	—	—
	397 658	**146 272**	**251 386**	**253 718**	**13 455**	**240 263**	**—**

This note has been restated to separately present those items where fair value approximates the carrying value. For items where fair values do not approximate to carrying value, fair value disclosures are presented above.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value
Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debt instruments with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

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15. Fair value of financial instruments at amortised cost (continued)

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring level 2 and level 3 financial instruments not held at fair value:

	Valuation basis/techniques	Main inputs
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Loans and advances to customers	Discounted cash flow model	Yield curve, credit spread
Liabilities		
Deposits by banks	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve

NOTES TO THE FINANCIAL STATEMENTS
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16. Financial instruments designated at fair value

At 31 March R'million	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk		Maximum exposure to credit risk
		Current	Cumulative	Current	Cumulative	
Group and company						
Assets						
2021						
Loans and advances to customers	22 288	30	707	(47)	(114)	21 581
	22 288	**30**	**707**	**(47)**	**(114)**	**21 581**
2020						
Loans and advances to customers	20 702	(583)	677	(40)	(67)	20 024
	20 702	**(583)**	**677**	**(40)**	**(67)**	**20 024**

At 31 March R'million	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment	
			Current	Cumulative
Group and company				
Liabilities				
2021				
Customer accounts (deposits)	21 310	20 412	207	231
	21 310	**20 412**	**207**	**231**
2020				
Customer accounts (deposits)	44 601	43 929	130	527
	44 601	**43 929**	**130**	**527**

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

Current and cumulative changes in fair value of financial liabilities attributable to credit risk were R18.7 million (2020: R1.7 million) and R16.0 million (2020: R34.7 million) respectively.

17. Cash and balances at central banks

At 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Gross cash and balances at central banks	9 653	36 657	9 343	36 375
Expected credit loss on amortised cost	—	(1)	—	(1)
Net cash and balances at central banks	**9 653**	**36 656**	**9 343**	**36 374**
The country risk of cash and balances at central banks lies in the following geographies:				
South Africa	9 352	36 374	9 343	36 374
Africa (excluding RSA)	301	282	—	—
	9 653	**36 656**	**9 343**	**36 374**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18. Loans and advances to banks

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Gross loans and advances to banks	24 669	18 054	17 850	12 082
Expected credit loss on amortised cost	(3)	(4)	(2)	(2)
Net loans and advances to banks	**24 666**	**18 050**	**17 848**	**12 080**
The country risk of loans and advances to banks lies in the following geographies:				
South Africa	8 484	4 756	8 022	4 609
United Kingdom	1 188	5 666	102	4 274
Europe (excluding UK)	9 723	3 784	7 515	2 473
North America	3 039	1 046	1 495	—
Africa (excluding RSA)	1 316	2 163	603	679
Asia	744	551	6	13
Australia	172	84	105	32
	24 666	**18 050**	**17 848**	**12 080**

19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Assets				
Gross reverse repurchase agreements and cash collateral on securities borrowed	30 222	26 427	29 114	25 087
Expected credit loss on amortised cost	(1)	(1)	^	^
Net reverse repurchase agreements and cash collateral on securities borrowed	**30 221**	**26 426**	**29 114**	**25 087**
Reverse repurchase agreements	27 222	24 316	26 115	22 977
Cash collateral on securities borrowed	2 999	2 110	2 999	2 110
	30 221	**26 426**	**29 114**	**25 087**
As part of the reverse repurchase and securities borrowing agreements the group and company have received securities that they are allowed to sell or re-pledge. R52.2 billion (2020: R1.5 billion) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.				
Liabilities				
Repurchase agreements	16 593	26 626	16 593	26 626
	16 593	**26 626**	**16 593**	**26 626**
The assets transferred and not derecognised in the above repurchase agreements are fair valued at R18.4 billion (2020: R27.9 billion) in the group and company. They are pledged as security for the term of the underlying repurchase agreement. Refer to note 47.				

^ Less than R1 million.

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20. Sovereign debt securities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Gross sovereign debt securities	53 014	64 362	53 014	64 362
Expected credit loss on amortised cost	(5)	(4)	(5)	(4)
Net sovereign debt securities	**53 009**	**64 358**	**53 009**	**64 358**
Bonds	34 411	30 596	34 411	30 596
Government securities	1 894	1 841	1 894	1 841
Treasury bills	16 704	31 921	16 704	31 921
	53 009	**64 358**	**53 009**	**64 358**
The country risk of the sovereign debt securities lies in the following geographies:				
South Africa	51 995	64 154	51 995	64 154
North America	738	—	738	—
Africa (excluding RSA)	276	204	276	204
	53 009	**64 358**	**53 009**	**64 358**

21. Bank debt securities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Gross bank debt securities	21 865	12 269	21 369	11 361
Expected credit loss on amortised cost	(3)	(4)	(3)	(4)
Net bank debt securities	**21 862**	**12 265**	**21 366**	**11 357**
Bonds	15 469	9 826	14 973	9 207
Asset-based securities	—	649	—	649
Floating rate notes	6 393	1 790	6 393	1 501
	21 862	**12 265**	**21 366**	**11 357**
The country risk of the bank debt securities lies in the following geographies:				
South Africa	5 978	6 789	5 978	6 500
United Kingdom	5 607	2 156	5 607	2 156
Europe (excluding UK)	5 001	1 595	4 785	1 287
North America	1 510	350	1 510	351
Africa (excluding RSA)	280	312	—	—
Asia	2 420	—	2 420	—
Australia	1 066	1 063	1 066	1 063
	21 862	**12 265**	**21 366**	**11 357**

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22. Other debt securities

At 31 March R'million	Group **2021**	 2020	Company **2021**	 2020
Gross other debt securities	14 178	17 427	13 883	16 965
Expected credit loss on amortised cost	(8)	(11)	(7)	(9)
Net other debt securities	**14 170**	**17 416**	**13 876**	**16 956**
Bonds	8 283	11 597	7 989	11 193
Commercial paper	22	78	22	78
Floating rate notes	3 360	4 002	3 360	3 946
Asset-based securities	2 505	1 739	2 505	1 739
	14 170	**17 416**	**13 876**	**16 956**
The country risk of the other debt securities lies in the following geographies:				
South Africa	7 682	9 857	7 682	9 802
United Kingdom	3 846	2 716	3 846	2 670
Europe (excluding UK)	752	3 884	458	3 526
North America	1 890	958	1 890	958
Other	—	1	—	—
	14 170	**17 416**	**13 876**	**16 956**

NOTES TO THE FINANCIAL STATEMENTS
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23. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations. In the tables that follow notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

	2021			2020		
At 31 March R'million	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Group						
Foreign exchange derivatives						
Forward foreign exchange contracts	14 068	497	281	14 635	639	1 264
Currency swaps	258 701	7 800	9 037	159 934	6 236	12 334
OTC options bought and sold	42 215	700	1 069	64 093	1 567	1 374
Other foreign exchange contracts	4 207	60	12	4 069	10	11
	319 191	**9 057**	**10 399**	**242 731**	**8 452**	**14 983**
Interest rate derivatives						
Caps and floors	14 385	37	39	5 337	46	65
Swaps	1 262 239	6 633	10 214	1 270 113	6 906	8 300
Forward rate agreements	542 466	256	370	20 216	1 274	1 306
OTC options bought and sold	1 266	17	3	487	^	4
Other interest rate contracts	2 372	103	35	6 387	923	6
OTC derivatives	**1 822 728**	**7 046**	**10 661**	**1 302 540**	**9 149**	**9 681**
Exchange traded futures	2 663	—	—	1 073	80	—
	1 825 391	**7 046**	**10 661**	**1 303 613**	**9 229**	**9 681**
Equity and stock index derivatives						
OTC options bought and sold	12 117	4 272	2 902	598	1 173	3 896
Equity swaps and forwards	10 861	301	9 303	2 482	1 170	7 388
OTC derivatives	**22 978**	**4 573**	**12 205**	**3 080**	**2 343**	**11 284**
Exchange traded futures	6 127	6	—	1 481	—	—
	29 105	**4 579**	**12 205**	**4 561**	**2 343**	**11 284**
Commodity derivatives						
Commodity swaps and forwards	16 701	23	947	125	863	895
	16 701	**23**	**947**	**125**	**863**	**895**
Credit derivatives	**9 673**	**73**	**56**	**11 784**	**90**	**144**
Other derivatives*		**—**	**—**		**48**	**—**
Cash collateral		**(1 605)**	**(11 257)**		**(3 591)**	**(14 890)**
Derivatives per balance sheet		**19 173**	**23 011**		**17 434**	**22 097**

* Mainly includes profit shares received as part of lending transactions.
^ Less than R1 million.

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23. Derivative financial instruments (continued)

	2021			2020		
At 31 March R'million	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Company						
Foreign exchange derivatives						
Forward foreign exchange contracts	14 068	497	281	14 635	638	1 263
Currency swaps	258 581	7 801	8 800	159 934	6 236	12 334
OTC options bought and sold	42 215	700	1 069	64 093	1 567	1 374
Other foreign exchange contracts	4 207	60	12	4 069	10	11
	319 071	**9 058**	**10 162**	**242 731**	**8 451**	**14 982**
Interest rate derivatives						
Caps and floors	14 385	37	39	5 337	46	65
Swaps	1 262 239	6 633	10 214	1 270 113	6 906	8 300
Forward rate agreements	542 466	256	370	20 216	1 274	1 306
OTC options bought and sold	1 266	17	3	487	^	4
Other interest rate contracts	2 372	103	35	6 387	923	6
OTC derivatives	**1 822 728**	**7 046**	**10 661**	**1 302 540**	**9 149**	**9 681**
Exchange traded futures	2 663	—	—	1 073	80	—
	1 825 391	**7 046**	**10 661**	**1 303 613**	**9 229**	**9 681**
Equity and stock index derivatives						
OTC options bought and sold	12 117	4 272	2 902	598	1 173	3 896
Equity swaps and forwards	10 078	295	9 276	2 371	1 166	7 479
OTC derivatives	**22 195**	**4 567**	**12 178**	**2 969**	**2 339**	**11 375**
Exchange traded futures	6 127	6	—	1 481	—	—
	28 322	**4 573**	**12 178**	**4 450**	**2 339**	**11 375**
Commodity derivatives						
Commodity swaps and forwards	16 701	23	947	125	863	895
	16 701	**23**	**947**	**125**	**863**	**895**
Credit derivatives	**9 673**	**73**	**56**	**11 664**	**90**	**115**
Other derivatives*		**—**	**—**		**48**	**—**
Cash collateral		**(1 605)**	**(11 257)**		**(3 591)**	**(14 890)**
Derivatives per balance sheet		**19 168**	**22 747**		**17 429**	**22 158**

* Mainly includes profit shares received as part of lending transactions.
^ Less than R1 million.

NOTES TO THE FINANCIAL STATEMENTS
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24. Securities arising from trading activities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Bonds	1 311	2 014	1 311	2 013
Floating rate notes	970	786	970	786
Listed equities	573	340	26	133
Other investments	15	38	15	—
	2 869	**3 178**	**2 322**	**2 932**

25. Investment portfolio

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Listed equities^	2 144	2 567	2 144	2 567
Unlisted equities*	1 902	2 107	1 647	1 896
Fair value loan investments	877	1 127	877	1 127
	4 923	**5 801**	**4 668**	**5 590**

^ Included is a 21.9% (2020: 21.9%) investment in Investec Property Fund shares of R1.7 billion (2020: R1.2 billion) and an investment of R225 million (2020: R189 million) in a portfolio of perpetual preference shares issued by South African listed banks which is measured at FVOCI. The dividends recognised on the Investec Property Fund shares are R200 million (2020: R254 million) and on the portfolio of preference shares are R22 million (2020: R14 million). The group measures investments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield.

* Unlisted equities includes loan instruments that are convertible into equity.

26. Loans and advances to customers and other loans and advances

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Gross loans and advances to customers at amortised cost	253 945	257 161	248 126	247 657
Gross loans and advances to customers designated at FVPL at inception^	22 393	20 769	22 393	20 768
Gross loans and advances to customers subject to ECL	276 338	277 930	270 519	268 425
Expected credit loss on amortised cost	(2 703)	(3 343)	(2 584)	(3 213)
	273 635	274 587	267 935	265 212
Loans and advances to customers at fair value	1 421	2 167	1 421	2 167
Net loans and advances to customers	**275 056**	**276 754**	**269 356**	**267 379**
Gross other loans and advances	206	267	291	348
Expected credit loss on other loans and advances	(25)	(25)	(80)	(80)
Net other loans and advances	**181**	**242**	**211**	**268**

^ 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.

For further analysis on loans and advances, refer to pages 141 and 142 in note 57.

NOTES TO THE FINANCIAL STATEMENTS
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26. Loans and advances to customers and other loans and advances (continued)

At 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Expected credit losses on loans and advances to customers at amortised cost				
Balance at the beginning of the year	3 343	2 660	3 213	2 330
Charge to the income statement	934	1 219	918	1 149
Utilised	(1 547)	(660)	(1 547)	(642)
Transfers	—	93	—	93
Transactions with group companies	—	—	—	283
Exchange adjustment	(27)	31	—	—
Balance at the end of the year	**2 703**	**3 343**	**2 584**	**3 213**
Expected credit losses on other loans and advances at amortised cost				
Balance at the beginning of the year	25	26	80	80
Release to the income statement	—	(1)	—	—
Balance at the end of the year	**25**	**25**	**80**	**80**

27. Securitised assets and liabilities arising on securitisation

At 31 March R'million	Group	
	2021	2020
Gross own originated loans and advances to customers securitised	8 209	7 208
Expected credit loss of own originated loans and advances to customers securitised	(25)	(16)
Net own originated loans and advances to customers securitised	**8 184**	**7 192**
Other securitised assets are made up of the following categories of assets:		
Cash and cash equivalents	578	416
Total other securitised assets	**578**	**416**
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	**3 271**	**1 699**
Expected credit losses on own originated loans and advances to customers securitised at amortised cost		
Balance at the beginning of year	16	10
Charge to the income statement	9	6
Balance at the end of year	**25**	**16**

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28. Interests in associated undertakings

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Analysis of the movement in interests in associated undertakings:				
At the beginning of the year	5 662	6 251	5 611	6 184
Acquisitions	—	56	—	56
Share of post-taxation profit of associates	81	320	89	343
Net equity movements of interests in associated undertakings	(406)	(44)	(406)	(44)
Dividends declared by associate	(71)	—	(71)	—
Exchange adjustments	(19)	16	(8)	9
Impairment of associates	(98)	(937)	(98)	(937)
At the end of the year	**5 149**	**5 662**	**5 117**	**5 611**

	2021	2020
Details of material associated company		
IEP Group Proprietary Limited		
Summarised financial information (R'million):		
For the year to 31 March		
Revenue	13 410	13 708
(Loss)/profit after taxation	(26)	2 584
Total comprehensive (loss)/income	(8)	1 774
At 31 March		
Assets		
Non-current assets	19 513	20 558
Current assets	6 168	5 956
Liabilities		
Non-current liabilities	8 948	9 476
Current liabilities	2 997	2 580
Net asset value	**13 736**	**14 458**
Non-controlling interest	2 792	2 473
Shareholders' equity	10 944	11 985
Effective interest in issued share capital	47.4%	47.4%
Net asset value^	5 117	5 611
Goodwill	—	—
Carrying value of interest – equity method	**5 117**	**5 611**

^ The group's share of the net asset value of IEP is R5.2 billion (47.4% of R11.0 billion) [2020: R5.7 billion (47.4% of R12.0 billion)] reduced by the portion of the impairment of IEP that exceeded the value of the goodwill.

Management critically evaluated the equity accounted value of the group's investment in IEP and consequently recognised an impairment of R98 million (2020: R937 million) in total in the current year. Management of IEP identified indicators of impairment of investments in subsidiaries and recognised an impairment of R98 million. As a result of this impairment, Investec management performed an impairment test on the investment in IEP and did not recognise any additional impairment for the IEP investment. In the prior year, management of IEP identified indicators of impairment of two investments in associates and recognised an impairment of R221 million. Investec management performed an impairment test on the investment in IEP in the prior year and recognised an additional impairment of R716 million. The recoverable amount of the investment in IEP was determined to be the value-in-use of the investment. The value-in-use was determined by calculating the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments taking into account management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. This estimate was performed for each of the assets held by IEP, using valuation techniques and assumptions management believed to be most representative of the ultimate realisation of the investments.

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29. Deferred taxation

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Deferred taxation assets	2 412	2 903	2 394	2 874
Deferred taxation liabilities	(32)	(47)	—	—
Net deferred taxation assets	**2 380**	**2 856**	**2 394**	**2 874**
The net deferred taxation assets arise from:				
Deferred capital allowances	2	1	—	—
Income and expenditure accruals	1 014	755	1 012	735
Unrealised fair value adjustments on financial instruments	484	1 320	480	1 320
Deferred taxation on acquired intangibles	(32)	(47)	—	—
Expected credit loss on loans and advances to customers	400	425	390	417
Finance lease accounting	46	86	46	86
Cash flow hedges	466	316	466	316
Net deferred taxation assets	**2 380**	**2 856**	**2 394**	**2 874**
Reconciliation of net deferred taxation assets/(liabilities):				
At the beginning of the year	2 856	1 436	2 874	1 372
Reversal to income statement – current year taxation	268	87	264	171
(Charge)/reversal directly in other comprehensive income	(744)	1 332	(744)	1 332
Prior year taxation adjustments	—	—	—	—
Exchange adjustments	—	1	—	(1)
At the end of the year	**2 380**	**2 856**	**2 394**	**2 874**

Deferred taxation assets are recognised to the extent it is likely that profits will be available in future periods. The assessment of the likelihood of future profits is based on past performance and current projections.

30. Other assets

At 31 March R'million	Group 2021	Group 2020^	Company 2021	Company 2020^
Gross other assets	7 382	6 115	7 008	5 913
Expected credit loss on amortised cost	—	(1)	—	—
Net other assets	**7 382**	**6 114**	**7 008**	**5 913**
Settlement debtors	1 417	1 479	1 417	1 478
Trading properties	145	30	53	3
Prepayments and accruals	1 167	1 098	1 153	1 081
Trading initial margin	2 448	744	2 448	744
Commodities	581	1 782	581	1 782
Building renovations in progress*	588	204	588	204
Fee debtors	5	10	5	10
Other	1 031	767	763	611
	7 382	**6 114**	**7 008**	**5 913**

^ Restated as detailed on note 54.
* Previously included in prepayments and accruals.

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31. Property and equipment

At 31 March R'million	Freehold properties	Right-of-use assets*	Leasehold improvements	Furniture and vehicles	Equipment	Total
Group						
2021						
Cost						
At the beginning of the year	2 362	589	66	206	983	4 206
Exchange adjustments	—	—	—	(1)	(2)	(3)
Additions	—	1	6	1	56	64
Disposals and modifications	—	(57)	—	—	(2)	(59)
Write-offs^	—	(3)	—	(62)	(570)	(635)
At the end of the year	**2 362**	**530**	**72**	**144**	**465**	**3 573**
Accumulated depreciation						
At the beginning of the year	(112)	(103)	(58)	(154)	(771)	(1 198)
Disposals and modifications	—	2	—	—	1	3
Depreciation charge for year	(71)	(88)	(4)	(9)	(101)	(273)
Write-offs^	—	3	—	62	570	635
At the end of the year	**(183)**	**(186)**	**(62)**	**(101)**	**(301)**	**(833)**
Net carrying value	**2 179**	**344**	**10**	**43**	**164**	**2 740**
2020						
Cost						
At the beginning of the year	2 357	—	65	207	855	3 484
Additions	5	673	1	6	148	833
Disposals and modifications	—	(84)	—	(7)	(20)	(111)
At the end of the year	**2 362**	**589**	**66**	**206**	**983**	**4 206**
Accumulated depreciation						
At the beginning of the year	(41)	—	(52)	(144)	(684)	(921)
Disposals and modifications	—	—	—	4	13	17
Depreciation charge for year	(71)	(103)	(6)	(14)	(100)	(294)
At the end of the year	**(112)**	**(103)**	**(58)**	**(154)**	**(771)**	**(1 198)**
Net carrying value	**2 250**	**486**	**8**	**52**	**212**	**3 008**

* Right-of-use assets primarily comprises property leases under IFRS 16.
^ Fully depreciated assets with a net book value of zero were written off during the year.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

31. Property and equipment (continued)

At 31 March R'million	Freehold properties	Right-of-use assets*	Leasehold improvements	Furniture and vehicles	Equipment	Total
Company						
2021						
Cost						
At the beginning of the year	2 362	570	52	203	967	4 154
Additions	—	—	6	1	51	58
Disposals and modifications	—	(55)	—	—	—	(55)
Write-offs^	—	(3)	—	(62)	(570)	(635)
At the end of the year	**2 362**	**512**	**58**	**142**	**448**	**3 522**
Accumulated depreciation						
At the beginning of the year	(112)	(98)	(45)	(154)	(758)	(1 167)
Depreciation charge for year	(71)	(83)	(4)	(8)	(99)	(265)
Write-offs^	—	3	—	62	570	635
At the end of the year	**(183)**	**(178)**	**(49)**	**(100)**	**(287)**	**(797)**
Net carrying value	**2 179**	**334**	**9**	**42**	**161**	**2 725**
2020						
Cost						
At the beginning of the year	2 357	—	51	198	833	3 439
Additions	5	642	1	6	144	798
Disposals and modifications	—	(72)	—	(1)	(10)	(83)
At the end of the year	**2 362**	**570**	**52**	**203**	**967**	**4 154**
Accumulated depreciation						
At the beginning of the year	(41)	—	(39)	(142)	(666)	(888)
Disposals	—	—	—	1	7	8
Depreciation charge for year	(71)	(98)	(6)	(13)	(99)	(287)
At the end of the year	**(112)**	**(98)**	**(45)**	**(154)**	**(758)**	**(1 167)**
Net carrying value	**2 250**	**472**	**7**	**49**	**209**	**2 987**

* Right-of-use assets primarily comprises property leases under IFRS 16.
^ Fully depreciated assets with a net book value of zero were written off during the year.

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32. Goodwill

At 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Group				
Cost				
At the beginning of the year	184	174	10	—
Acquisitions	—	10	—	10
At the end of the year	**184**	**184**	**10**	**10**
Accumulated impairments				
At the beginning of the year	(6)	(3)	(3)	—
Impairments	(3)	(3)	(3)	(3)
At the end of the year	**(9)**	**(6)**	**(6)**	**(3)**
Net carrying value	**175**	**178**	**4**	**7**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

Goodwill relates particularly to the businesses in Investec for Business (IFB) which has been identified as a separate cash-generating unit. The goodwill relating to IFB has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecast and discount rate to estimate the fair value. Discount rate applied of 3.50% (2020: 5.25%) is determined using the South African inter-bank lending rate, adjusted for business specific risk.

The remaining goodwill relates to Travel by Investec which was acquired in 2020. The current and prior year impairment of goodwill on the income statement relates to Travel by Investec.

The valuation of goodwill is a level 3 in the fair value hierarchy.

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33. Software and other acquired intangible assets

	Group						Company	
	Software			Other acquired intangible assets			Software	
At 31 March R'million	Acquired software	Internally generated software	Total	Client relationships	Total	**Total**	Acquired software	**Total**
2021								
Cost								
At the beginning of the year	870	6	876	412	412	1 288	910	910
Additions	19	—	19	—	—	19	19	19
Write-offs**	(513)	(6)	(519)	—	—	(519)	(513)	(513)
At the end of the year	**376**	**—**	**376**	**412**	**412**	**788**	**416**	**416**
Accumulated amortisation and impairments								
At the beginning of the year	(721)	(6)	(727)	(243)	(243)	(970)	(759)	(759)
Disposals	—	—	—	—	—	—	—	—
Amortisation	(73)	—	(73)	(51)*	(51)	(124)	(73)	(73)
Write-offs**	513	6	519	—	—	519	513	513
At the end of the year	**(281)**	**—**	**(281)**	**(294)**	**(294)**	**(575)**	**(319)**	**(319)**
Net carrying value	**95**	**—**	**95**	**118**	**118**	**213**	**97**	**97**
2020^								
Cost								
At the beginning of the year	863	47	910	412	412	1 322	823	823
Additions	87	—	87	—	—	87	87	87
Disposals	(80)	(41)	(121)	—	—	(121)	—	—
At the end of the year	**870**	**6**	**876**	**412**	**412**	**1 288**	**910**	**910**
Accumulated amortisation and impairments								
At the beginning of the year	(679)	(33)	(712)	(192)	(192)	(904)	(664)	(664)
Disposals	53	27	80	—	—	80	—	—
Amortisation	(95)	—	(95)	(51)*	(51)	(146)	(95)	(95)
At the end of the year	**(721)**	**(6)**	**(727)**	**(243)**	**(243)**	**(970)**	**(759)**	**(759)**
Net carrying value	**149**	**—**	**149**	**169**	**169**	**318**	**151**	**151**

^ Restated as detailed on note 54.
* Amortisation of acquired intangibles is disclosed in the income statement.
** Fully depreciated assets with a net book value of zero were written off during the year.

NOTES TO THE FINANCIAL STATEMENTS
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34. Acquisitions

2021

There were no significant acquisitions or disposals of subsidiaries during the year ended 31 March 2021.

2020

Company

On 1 April 2019 Investec Bank Limited concluded multiple transaction agreements to acquire the net assets of subsidiary companies in an effort to fully integrate the businesses into the group and accelerate the growth of Investec for Business. After various group restructures, the business assets of Reichmans Proprietary Limited, Reichmans Holdings Proprietary Limited, Invoset Proprietary Limited, Capital Acceptance Proprietary Limited, and Investec Import Solutions Proprietary Limited were acquired to form Investec for Business.

In terms of each sale agreement the transaction constitutes a transfer of the relative businesses as going concerns and the provisions of Section 45 of the Income Tax act apply to each agreement, as agreed upon by all parties involved. As these companies are common control companies, the transactions are accounted for as a pooling of interests and the net assets are measured at their carrying value as previously recorded by the respective subsidiary.

The carrying value of all the assets acquired and liabilities assumed at the date of acquisition and total consideration paid are shown below:

R'million	Fair value of assets and liabilities
Assets	**7 858**
Loans and advances to customers	4 910
Intangible assets	40
Other assets	2 901
Property and equipment	7
Liabilities	**274**
Customer accounts (deposits)	1
Other liabilities	273
Net carrying value of assets acquired	**7 584**
Fair value of consideration	**7 584**

In accordance with the terms of the agreements, each subsidiary would use the funds received to settle any outstanding amounts owed to Investec Bank Limited. Consequently, no physical cash payment was made and the net receivable was distributed as a dividend in the 2020 and 2021 financial year, after which the subsidiary companies will be deregistered. As all of these entities are within the IBL group, this transaction has no financial impact at a group level.

35. Loans to group companies and loans from group companies and subsidiaries

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Loans to group companies				
Loans to holding company – Investec Limited	1 266	772	1 266	772
Loans to fellow subsidiaries	10 976	11 513	14 108	14 533
Preference share investment in Investec Limited	319	319	—	—
Preference share investment in fellow subsidiaries	4 476	4 478	—	—
Intergroup derivative financial instruments	373	460	373	460
	17 410	**17 542**	**15 747**	**15 765**
Loans from group companies and subsidiaries				
Loans from subsidiaries	—	—	4 598	3 085
Sechold Finance Services Proprietary Limited	—	—	118	118
KWJ Investments Proprietary Limited	—	—	130	130
Investpref Limited	—	—	59	59
Other subsidiaries	—	—	4 291	2 778
Loans from fellow subsidiaries	1 972	2 807	1 780	2 805
	1 972	**2 807**	**6 378**	**5 890**

There were no subordinated loan amounts included in the loans to group companies. Loans from group companies and subsidiaries are unsecured, interest-bearing, with no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

36. Investment in subsidiaries

			Shares at book value		Loan advances to subsidiaries	
			R'million		R'million	
At 31 March	**Principal activity**	**Holding %**	**2021**	2020	**2021**	2020
Company						
Material direct subsidiaries of Investec Bank Limited						
Investec Bank (Mauritius) Limited^	Banking institution	100	534	534	1 708	613
Reichmans Holdings Proprietary Limited and Investec Import Solutions Proprietary Limited^^#	Trade and asset financing and imports logistics	100	107	383	—	—
Sechold Finance Services Proprietary Limited^^	Investment holding	100	*	*	—	—
KWJ Investments Proprietary Limited^^	Investment holding	100	*	*	—	—
AEL Investment Holdings Proprietary Limited^^	Investment holding	100	*	*	451	343
Investpref Limited^^	Investment holding	100	*	*	—	—
Copperleaf Country Estate Proprietary Limited^^#	Property developer	100	—	11	61	80
Other subsidiaries^^#		100	3	3	1 609	2 192
			644	**931**	**3 829**	**3 228**

Details of subsidiary and associated companies which are not material to the financial position of the group are not reflected above. Loans to group companies are unsecured interest-bearing, with no fixed terms of repayment.

^ Mauritius.
^^ South Africa.
* Less than R1 million.
\# Management evaluated the carrying value of the investment in subsidiaries and as a result recognised an impairment of R287 million (2020: R642 million) on these subsidiaries. This primarily arose from the transaction detailed in note 34.The recoverable amounts were determined to be the net asset value of the investments.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

36. Investment in subsidiaries (continued)

Consolidated structured entities

Investec Bank Limited has subordinated investment interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Fox Street 1 (RF) Limited	Securitised residential mortgages
Fox Street 2 (RF) Limited	Securitised residential mortgages
Fox Street 3 (RF) Limited	Securitised residential mortgages
Fox Street 4 (RF) Limited	Securitised residential mortgages
Fox Street 5 (RF) Limited	Securitised residential mortgages
Fox Street 6 (RF) Limited	Securitised residential mortgages
Fox Street 7 (RF) Limited	Securitised residential mortgages
Integer Home Loans Proprietary Limited	Securitised third party originated residential mortgages
Grayston Drive Autos (RF) Limited	Securitised vehicle instalment sale agreements

For additional detail on the assets and liabilities arising on securitisation refer to note 27. Further details of the risks to which the group is exposed through its all of its securitisations are included on page 159 in note 57.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Securitised third party originated residential mortgages

The group has a senior and subordinated investment in a third party originated structured entity. The structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investments made.

Securitised vehicle instalment sale agreements

The group has securitised vehicle instalment sale agreements in order to provide investors with a return on investment on funding provided to Investec Bank Limited secured by, and exposed to, South African vehicle instalment sales agreements. The structured entity is consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of instalment sale agreements as those assets have not been derecognised.

37. Other trading liabilities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Deposits	3 341	4 471	3 341	4 471
Short positions – gilts	47	50	47	50
	3 388	**4 521**	**3 388**	**4 521**

38. Debt securities in issue

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Repayable in:				
Less than three months	5	751	5	701
Three months to one year	855	1 292	855	1 292
One to five years	1 266	1 215	486	435
	2 126	**3 258**	**1 346**	**2 428**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

39. Other liabilities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Settlement liabilities	2 002	2 136	1 980	2 072
Other creditors and accruals	3 642	3 326	2 988	3 042
Other non-interest bearing liabilities	367	699	345	600
Rewards Programme liability	674	644	674	644
Lease liability	454	592	444	576
Long service employee benefits liability	208	129	203	126
Expected credit loss on off-balance sheet commitments and guarantees	74	64	66	58
	7 421	**7 590**	**6 700**	**7 118**

Reconciliation of lease liabilities

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at the beginning of the year	592	—	576	—
Adoption of IFRS 16	—	736	—	722
Interest	37	51	37	50
Additional leases	1	34	—	34
Repayment of lease liabilities	(117)	(129)	(113)	(123)
Disposals and modifications	(58)	(107)	(56)	(107)
Exchange adjustments	(1)	7	—	—
Balance at the end of the year	**454**	**592**	**444**	**576**

Lease liabilities included in other liabilities due in:

At 31 March R'million	2021 Undiscounted payments	2021 Present value	2020 Undiscounted payments	2020 Present value
Group				
Less than one year	123	117	137	131
One to five years	315	260	472	380
Later than five years	123	77	136	81
	561	**454**	**745**	**592**
Company				
Less than one year	118	112	132	123
One to five years	309	255	468	374
Later than five years	123	77	136	79
	550	**444**	**736**	**576**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

40. Subordinated liabilities

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Issued by Investec Bank Limited				
IV019 indexed rate subordinated unsecured callable bonds	199	179	199	179
IV019A indexed rate subordinated unsecured callable bonds	377	374	377	374
IV033 variable rate subordinated unsecured callable bonds	—	159	—	159
IV034 fixed rate subordinated unsecured callable bonds	—	101	—	101
IV035 variable rate subordinated unsecured callable bonds	1 468	1 468	1 468	1 468
IV036 variable rate subordinated unsecured callable bonds	32	32	32	32
IV037 variable rate subordinated unsecured callable bonds	1 775	2 015	1 775	2 015
IV038 variable rate subordinated unsecured callable bonds	350	350	350	350
IV039 indexed rate subordinated unsecured callable bonds	196	187	196	187
IV040 variable rate subordinated unsecured callable bonds	589	589	589	589
IV041 fixed rate subordinated unsecured callable bonds	190	190	190	190
IV042 variable rate subordinated unsecured callable bonds	50	50	50	50
IV043 fixed rate subordinated unsecured callable bonds	150	150	150	150
IV044 variable rate subordinated unsecured callable bonds	240	240	240	240
IV045 indexed rate subordinated unsecured callable bonds	1 914	1 822	1 914	1 822
IV046 variable rate subordinated unsecured callable bonds	1 200	1 200	1 200	1 200
IV047 variable rate subordinated unsecured callable bonds	1 593	1 818	1 593	1 818
IV049 variable rate subordinated unsecured callable bonds	977	1 113	977	1 113
IV054U variable rate subordinated unsecured callable bonds	1 636	—	1 636	—
	12 936	**12 037**	**12 936**	**12 037**
Remaining maturity*:				
In one year or less, or on demand	5 486	260	5 486	260
In more than one year, but not more than two years	5 238	5 626	5 238	5 626
In more than two years, but not more than five years	2 212	6 151	2 212	6 151
	12 936	**12 037**	**12 936**	**12 037**
Reconciliation from opening balance to closing balance:				
Opening balance	12 037	13 918	12 037	13 918
Issue of subordinated liabilities	1 636	—	1 636	—
Interest accrued on subordinated liabilities	803	1 020	803	1 020
Interest and effective interest rate adjustments capitalised to subordinated liabilities	(327)	(290)	(327)	(290)
Repayment of interest	(504)	(714)	(504)	(714)
Transfer of interest accrued from other liabilities at the beginning of the year	89	73	89	73
Transfer of interest accrued to other liabilities at the end of the year	(61)	(89)	(61)	(89)
Redemption of subordinated liabilities	(260)	(3 175)	(260)	(3 175)
Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds adjustment	(477)	1 294	(477)	1 294
Closing balance	**12 936**	**12 037**	**12 936**	**12 037**

* Maturities have been determined using the date on which the company is able to call the bonds.

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

IV019 indexed rate subordinated unsecured callable bonds
R199 million (2020: R179 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds
R377 million (2020: R374 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

40. Subordinated liabilities (continued)

IV033 variable rate subordinated unsecured callable bonds

R159 million Investec Bank Limited IV033 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable quarterly on 11 May, 11 August, 11 November and 11 February at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021. These notes were repaid in the current year.

IV034 fixed rate subordinated unsecured callable bonds

R101 million Investec Bank Limited IV034 locally registered subordinated unsecured callable bonds are due in February 2026. Interest is payable semi-annually on 11 February and 11 August at a rate equal to 12.47% up to and excluding 11 February 2026. The maturity date is 11 February 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 11 February 2021. These notes were repaid in the current year.

IV035 variable rate subordinated unsecured callable bonds

R1 468 million Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

IV036 variable rate subordinated unsecured callable bonds

R32 million Investec Bank Limited IV036 locally registered subordinated unsecured callable bonds are due in April 2026. Interest is payable quarterly on 22 April, 22 July, 22 October and 22 January at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 22 July 2026. The maturity date is 22 July 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 22 July 2021.

IV037 variable rate subordinated unsecured callable bonds

$125 million Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds are due in October 2026 and were issued at an issue price of $91 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 19 October 2021. The implied zero coupon yield is 6.29961713% nacq (ACT/360) up until 19 October 2021. If the issuer does not exercise the option to redeem the notes on 19 October 2021, then interest on the floating rate notes shall commence on 19 October 2021 and is payable quarterly on 19 January, 19 July, 19 April and 19 October at a rate equal to the three-month USD Libor plus 5.5% up to and excluding 19 October 2026. The maturity date is 19 October 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 19 October 2021.

IV038 variable rate subordinated unsecured callable bonds

R350 million Investec Bank Limited IV038 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 23 March, 23 June, 23 September and 23 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 23 September 2026. The maturity date is 23 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 23 September 2021.

IV039 indexed rate subordinated unsecured callable bonds

R196 million (2020: R187 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 31 January 2027. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV040 variable rate subordinated unsecured callable bonds

R589 million Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV041 fixed rate subordinated unsecured callable bonds

R190 million Investec Bank Limited IV041 locally registered subordinated unsecured callable bonds are due in September 2026. Interest is payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date is 29 September 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 29 September 2021.

IV042 variable rate subordinated unsecured callable bonds

R50 million Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 18 February, 18 May, 18 August and 18 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 18 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

IV043 fixed rate subordinated unsecured callable bonds

R150 million Investec Bank Limited IV043 locally registered subordinated unsecured callable bonds are due in November 2026. Interest is payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date is 21 November 2026, but the company has the option to call the bonds upon regulatory capital disqualification or from 18 November 2021.

IV044 variable rate subordinated unsecured callable bonds

R240 million Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.15% up to and excluding 18 November 2026. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

40. Subordinated liabilities (continued)

IV045 indexed rate subordinated unsecured callable bonds

R1 914 million (2020: R1 822 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds are due in January 2027. Interest is payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 is a replica of the R212 South African government bond. The maturity date is 31 January 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2022.

IV046 variable rate subordinated unsecured callable bonds

R1 200 million Investec Bank Limited IV046 locally registered subordinated unsecured callable bonds are due in June 2027. Interest is payable quarterly on 21 September, 21 December, 21 March and 21 June at a rate equal to the three-month JIBAR plus 3.90%. The maturity date is 21 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 21 June 2022.

IV047 variable rate subordinated unsecured callable bonds

$116 million Investec Bank Limited IV047 locally registered subordinated unsecured Tier II callable bonds are due in June 2027 and were issued at an issue price of $86 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 30 June 2022. The implied zero coupon yield is 5.915966% nacq (ACT/360) up until 30 June 2022. If the issuer does not exercise the option to redeem the notes on 30 June 2022, then interest on the floating rate notes shall commence on 30 June 2022 and is payable quarterly on 30 September, 30 December, 30 June at a rate equal to the three-month USD LIBOR plus 4.5% up to and excluding 30 June 2027. The maturity date is 30 June 2027, but the company has the option to call the bonds upon regulatory capital disqualification or from 30 June 2022.

IV049 variable rate subordinated unsecured callable bonds

R977 million (2020: R1 113 million) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in 4 December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2023.

IVO54U variable rate subordinated unsecured callable bonds

R1 636 million (2020: Rnil) Investec Bank Limited issued IVO54U subordinated unsecured floating rate notes on 9 March 2021. Interest is payable quarterly on 9 March, 9 June, 9 September and 9 December at a rate equal to the three-month JIBAR plus 2.60%. The maturity date is 9 March 2031 but the issuer has the option to redeem on 9 March 2026 and on each interest payment date thereafter.

NOTES TO THE FINANCIAL STATEMENTS
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41. Ordinary share capital

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Authorised				
105 000 000 (2020: 105 000 000) ordinary share of 50 cents each				
Issued				
64 793 190 (2020: 64 793 190) ordinary share of 50 cents each, fully paid	32	32	32	32

42. Perpetual preference shares in issue

At 31 March R'million	Group 2021	Group 2020	Company 2021	Company 2020
Authorised				
70 000 000 (2020: 70 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each (perpetual preference shares)				
20 000 000 (2020: 20 000 000) non-redeemable, non-participating preference shares with a par value of one cent each (non-redeemable programme preference shares)				
Issued				
14 917 559 (2020: 15 477 630) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of between R96.46 – R99.99 per share				
	1 481	**1 534**	**1 481**	**1 534**
– Perpetual preference share capital	*	*	*	*
– Perpetual preference share premium	1 481	1 534	1 481	1 534

* Less than R1 million.

Preference shareholders will be entitled to receive dividends, if declared, at a rate limited to 83.33% of the South African prime interest rate on R100 being the deemed value of the issue price of the preference share held.

Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the preference shares.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September, respectively.

43. Share premium

At 31 March R'million	Group 2021	Group 2020^	Company 2021	Company 2020^
Share premium on ordinary shares	14 250	14 250	14 250	14 250
	14 250	**14 250**	**14 250**	**14 250**

^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
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44. Other Additional Tier 1 securities in issue

At 31 March R'million	Group **2021**	Group 2020	Company **2021**	Company 2020
IV048 variable rate subordinated unsecured callable bonds	350	350	350	350
IV050 variable rate subordinated unsecured callable bonds	110	110	110	110
IV051U variable rate subordinated unsecured callable bonds	128	—	128	—
IV052U variable rate subordinated unsecured callable bonds	45	—	45	—
IV053U variable rate subordinated unsecured callable bonds	100	—	100	—
IV055U variable rate subordinated unsecured callable bonds	450	—	450	—
	1 183	**460**	**1 183**	**460**

IV048 variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R350 million other Additional Tier 1 floating rate notes on the 22 March 2018. Interest is payable quarterly on 22 June, 22 September, 22 December and 22 March at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer.

IV050 variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R93 million and R17 million Other Additional Tier 1 floating rate notes on 26 March 2019 and 29 March 2019. Interest is payable quarterly on 26 June, September, 26 December and 26 March at a rate equal to the three-month JIBAR plus 4.55%. There is no maturity date but the issuer has the option to redeem on 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer.

IV051U variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R128 million Other Additional Tier 1 floating rate notes on the 22 October 2020. Interest is payable quarterly on 22 January, 22 April, 22 July and 22 October at a rate equal to the three-month JIBAR plus 4.85%. There is no maturity date but the issuer has the option to redeem on 22 January 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer.

IV052U variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R45 million Other Additional Tier 1 floating rate notes on the 25 November 2020. Interest is payable quarterly on 22 January, 22 April, 22 July and 22 October at a rate equal to the three-month JIBAR plus 4.85%. There is no maturity date but the issuer has the option to redeem on 22 January 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer.

IV053U variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R100 million Other Additional Tier 1 floating rate notes on the 15 December 2020. Interest is payable quarterly on 22 January, 22 April, 22 July and 22 October at a rate equal to the three-month JIBAR plus 4.85%. There is no maturity date but the issuer has the option to redeem on 22 January 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer.

IV055U variable rate subordinated unsecured callable bonds
Investec Bank Limited issued R450 million Other Additional Tier 1 floating rate notes on the 12 March 2021. Interest is payable quarterly on 12 March, 12 June, 12 September and 12 December at a rate equal to the three-month JIBAR plus 4.80%. There is no maturity date but the issuer has the option to redeem on 12 June 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer.

45. Finance lease disclosures

At 31 March R'million	Group and company **2021** **Total future minimum payments**	Group and company **2021** **Present value**	Group and company 2020 Total future minimum payments	Group and company 2020 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	2 027	1 834	1 731	1 504
One to five years	1 261	1 094	1 489	1 278
	3 288	**2 928**	**3 220**	**2 782**
Unearned finance income	**360**		**438**	

At 31 March 2021 and 31 March 2020, there were no unguaranteed residual values. Finance leases mainly relate to leases on machinery and equipment.

NOTES TO THE FINANCIAL STATEMENTS
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46. Notes to the cash flow statement

At 31 March R'million	Group 2021	Group 2020^	Company 2021	Company 2020^
Profit before taxation adjusted for non-cash items is derived as follows:				
Profit before taxation	4 861	3 892	4 477	3 519
Adjustment for non-cash items included in net income before taxation:				
Amortisation of acquired intangibles	51	51	—	—
Depreciation, amortisation and impairment on property, equipment, software and intangibles	346	389	338	382
Expected credit loss impairment charges	567	1 099	539	1 109
Share of post-taxation profit of associates	(81)	(320)	(89)	(343)
Impairment of goodwill	3	3	3	3
Impairment of subsidiaries	—	—	287	642
Impairment of associates	98	937	98	937
Profit before taxation adjusted for non-cash and non-operating items	**5 845**	**6 051**	**5 653**	**6 249**
(Increase)/decrease in operating assets				
Loans and advances to banks	(14)	(678)	107	(267)
Reverse repurchase agreements and cash collateral on securities borrowed	(4 027)	(7 628)	(4 027)	(7 258)
Sovereign debt securities	12 915	(6 410)	12 914	(6 713)
Bank debt securities	(9 543)	(459)	(9 849)	(1 245)
Other debt securities	3 676	(2 204)	3 522	(3 336)
Derivative financial instruments	(1 571)	(9 880)	(1 580)	(8 849)
Securities arising from trading activities	309	1 881	610	2 127
Investment portfolio	892	133	944	(108)
Loans and advances to customers	(1 594)	(13 023)	(2 498)	(13 857)
Own originated loans and advances to customers securitised	(992)	475	—	—
Other loans and advances	61	87	57	81
Other securitised assets	(162)	(184)	—	—
Other assets	(1 228)	1 932	(932)	(954)
Loans to group companies	350	466	(583)	6 299
	(928)	**(35 492)**	**(1 315)**	**(34 080)**
Increase/(decrease) in operating liabilities				
Deposits by banks	(20 151)	7 236	(20 151)	7 236
Derivative financial instruments	917	10 995	589	11 061
Other trading liabilities	(1 133)	53	(1 133)	53
Repurchase agreements and cash collateral on securities lent	(10 033)	11 368	(10 033)	12 505
Customer accounts (deposits)	1 426	30 999	556	32 175
Debt securities in issue	(1 132)	(3 254)	(1 082)	(3 054)
Liabilities arising on securitisation of own originated loans and advances	1 572	(21)	—	—
Other liabilities	96	623	(286)	(1 028)
Loans from group companies	(835)	547	488	(22)
	(29 273)	**58 546**	**(31 052)**	**58 926**

^ Restated as detailed on note 54.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

47. Commitments

At 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Undrawn facilities	64 358	56 019	61 387	53 491
	64 358	**56 019**	**61 387**	**53 491**

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet.

At 31 March R'million	Carrying amount of pledged assets		Related liability	
	2021	2020	**2021**	2020
Group and company				
Pledged assets				
Loans and advances to banks	295	304	287	307
Sovereign debt securities	9 340	22 670	7 958	19 499
Bank debt securities	1 498	1 031	1 468	933
Other debt securities	2 828	2 337	2 524	2 544
Securities arising from trading activities	1 102	1 542	1 102	1 679
Reverse repurchase agreements and cash collateral on securities borrowed	3 293	—	3 293	—
	18 356	**27 884**	**16 632**	**24 962**

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

48. Contingent liabilities

At 31 March R'million	Group		Company	
	2021	2020	**2021**	2020
Guarantees and assets pledged as collateral security:				
Guarantees and irrevocable letters of credit	19 701	21 937	20 212	22 489
	19 701	**21 937**	**20 212**	**22 489**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec Bank Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Legal proceedings
The group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the group is involved in disputes and legal proceedings which arise in the ordinary course of business. The group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Related party transactions and balances

At 31 March R'million	Group and company 2021	 2020
Transactions, balances, arrangements and agreements involving key management personnel and others:		
Transactions, balances, arrangements and agreements involving directors and connected persons and companies controlled by them, and with officers of the company, were as follows:		
Key management personnel and connected persons and companies controlled by them		
Loans		
At the beginning of the year	184	69
Increase in loans	38	133
Decrease in loans	(59)	(18)
At the end of the year	**163**	**184**
Guarantees		
At the beginning of the year	9	—
Additional guarantees granted	12	9
Exchange adjustments	1	—
At the end of the year	**22**	**9**
Deposits		
At the beginning of the year	(194)	(184)
Increase in deposits	(51)	(59)
Decrease in deposits	108	49
Exchange adjustments	(1)	—
At the end of the year	**(138)**	**(194)**

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For information on overall compensation to key management personnel, refer to note 56.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

49. Related party transactions and balances (continued)

At 31 March R'million	Investec plc and its subsidiaries		Investec Bank (Mauritius) and its subsidiaries	
	2021	2020	**2021**	2020
Amount relating to fellow subsidiaries				
Assets				
Loans and advances to banks	649	777	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	373	474	—	—
Loans and advances to customers	(11)	3	—	—
Other debt securities	592	1 664	3 867	4 587
Derivative financial instruments	180	239	63	204
Other assets	1	—	—	—
Liabilities				
Deposits from banks	230	203	2 320	4 143
Derivative financial instruments	17	80	21	13
Other liabilities	81	200	2	16
Income statement				
Interest income	32	56	190	219
Interest expense	2	7	149	233
Fee and commission income	—	—	9	8
Off-balance sheet				
Guarantees issued	—	—	47	52

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

In the normal course of business, services are rendered between Investec plc and Investec Bank Limited entities. In the year to 31 March 2021, this resulted in a net payment by Investec plc group of R281.6 million (2020: R323.1 million).

During the year, ISI SA Credit Co-Investment Fund, a hedge fund, consolidated by Investec Bank Limited was wound up and the total assets sold to Investec Bank Limited at NAV totalled R754.5 million.

At 31 March R'million	**2021**	2020
Amounts relating to associates		
Amounts due from associates and its subsidiaries	2 481	2 952
Interest income from loans to associates	53	71
Interest expense from loans to associates	1	89

At 31 March 2021, the group has R110.3 million (March 2020: Rnil) of customer accounts (deposits) and derivative financial instruments valued at R11.7 million (2020: Rnil) from an associate in the group held on balance sheet.

The above outstanding balances arose in the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

Refer to note 35 for loans to group companies and loans from group companies and subsidiaries and note 36 for loan advances to subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages, the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March R'million	Description of financial instrument designated as hedging instrument	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
Group							
2021							
Hedged assets	**Interest rate swaps**	**30 616**	**(1 382)**	**(1 382)**	**(360)**	**1 395**	**383**
2020							
Hedged assets	**Interest rate swaps**	**28 959**	**(2 184)**	**(2 184)**	**(1 432)**	**2 178**	**1 425**
Company							
2021							
Hedged assets	**Interest rate swaps**	**30 616**	**(1 382)**	**(1 382)**	**(360)**	**1 395**	**383**
2020							
Hedged assets	**Interest rate swaps**	**28 959**	**(2 184)**	**(2 184)**	**(1 432)**	**2 178**	**1 425**

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

As at year-end the hedges were both retrospectively and prospectively effective.

Carrying amount of the hedged item

At 31 March R'million	2021	2020
Assets		
Sovereign debt securities	26 073	30 705
Bank debt securities	3 632	5 221
Other debt securities	1 207	3 987

Maturity analysis of hedged item

At 31 March R'million	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
2021							
Assets – notionals							
Sovereign debt securities	—	—	—	1 690	6 228	16 116	**24 034**
Bank debt securities	—	—	—	500	3 796	—	**4 296**
Other debt securities	—	—	—	—	941	1 168	**2 109**
2020							
Assets – notionals							
Sovereign debt securities	—	—	10 634	—	3 077	17 467	31 178
Bank debt securities	—	—	—	109	5 413	—	5 522
Other debt securities	—	—	111	1 633	1 439	1 247	4 430

There was no ineffective portion recognised in the income statement.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Hedges (continued)

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates and foreign exchange rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

At 31 March R'million	Description of financial instrument being hedged	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
Group and company			
2021			
Cross-currency swap	Bonds	(867)	Three months
Forward exchange contracts	Dividends	(78)	Three months
2020			
Cross-currency swap	Bonds	(2 585)	Three months
Forward exchange contracts	Dividends	(78)	Three months

Cash flow hedges are held to mitigate interest rate and currency risk. A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement.

Realisations to the income statement for cash flow hedges of (R956 million) [2020: (R262 million)] are included in net interest income.

There are R78 million (2020: R78 million) accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Liquidity analysis of financial liabilities based on undiscounted cash flows

The balances in the below table will not agree directly to the balances in the balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows refer to page 164.

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2021								
Liabilities								
Deposits by banks	60	872	40	214	3 192	12 878	294	17 550
Derivative financial instruments	21 515	—	—	—	303	303	1 158	23 279
– held for trading	21 515	—	—	—	—	—	—	21 515
– held for hedging risk	—	—	—	—	303	303	1 158	1 764
Other trading liabilities	3 388	—	—	—	—	—	—	3 388
Repurchase agreements and cash collateral on securities lent	4 357	6 183	1 681	39	2 658	802	2 075	17 795
Customer accounts (deposits)	167 015	38 482	66 253	24 837	40 214	46 270	2 724	385 795
Debt securities in issue	—	—	5	281	628	1 351	—	2 265
Liabilities arising on securitisation of own originated loans and advances	—	—	97	70	99	34	3 420	3 720
Other liabilities	3 064	861	1 747	300	229	1 256	65	7 522
Loans from group companies	1 972	—	—	—	—	—	—	1 972
Subordinated liabilities	—	37	77	135	7 022	8 166	—	15 437
Total on-balance sheet liabilities	**201 371**	**46 435**	**69 900**	**25 876**	**54 345**	**71 060**	**9 736**	**478 723**
Contingent liabilities	3 691	502	548	2 463	6 188	7 301	41	20 734
Commitments	6 817	1 525	8 559	2 856	3 437	14 588	26 739	64 521
Total liabilities	**211 879**	**48 462**	**79 007**	**31 195**	**63 970**	**92 949**	**36 516**	**563 978**

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Group								
2020								
Liabilities								
Deposits by banks*	378	1 244	283	212	119	36 245	398	38 879
Derivative financial instruments	21 953	—	—	—	—	137	7	22 097
– held for trading	21 953	—	—	—	—	—	—	21 953
– held for hedging risk	—	—	—	—	—	137	7	144
Other trading liabilities	4 521	—	—	—	—	—	—	4 521
Repurchase agreements and cash collateral on securities lent*	3 175	6 659	14 836	42	85	866	2 238	27 901
Customer accounts (deposits)*	174 288	35 790	48 810	31 170	41 920	52 516	4 765	389 259
Debt securities in issue*	—	250	507	72	1 313	1 371	—	3 513
Liabilities arising on securitisation of own originated loans and advances	—	—	15	52	52	385	1 285	1 789
Other liabilities	2 559	1 426	1 659	823	165	1 635	151	8 418
Loans from group companies	2 807	—	—	—	—	—	—	2 807
Subordinated liabilities	7	53	81	168	302	12 845	—	13 456
Total on-balance sheet liabilities	**209 688**	**45 422**	**66 191**	**32 539**	**43 956**	**106 000**	**8 844**	**512 640**
Contingent liabilities	4 513	2	5 227	508	479	11 481	4 371	26 581
Commitments	5 296	—	8 152	1 271	2 012	14 482	24 810	56 023
Total liabilities	**219 497**	**45 424**	**79 570**	**34 318**	**46 447**	**131 963**	**38 025**	**595 244**

* In the prior year, contractual maturities on variable rate instruments were calculated for a period of three months post balance sheet due to uncertainty. The prior year has been updated to reflect the contractual maturity by applying the variable rate as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2021								
Liabilities								
Deposits by banks	60	872	40	214	3 192	12 878	294	17 550
Derivative financial instruments	21 488	—	—	—	303	299	925	23 015
– held for trading	21 488	—	—	—	—	—	—	21 488
– held for hedging risk	—	—	—	—	303	299	925	1 527
Other trading liabilities	3 388	—	—	—	—	—	—	3 388
Repurchase agreements and cash collateral on securities lent	4 357	6 183	1 681	39	2 658	802	2 075	17 795
Customer accounts (deposits)	158 146	36 954	63 437	24 154	39 071	46 113	2 724	370 599
Debt securities in issue	—	—	5	265	612	537	—	1 419
Other liabilities	3 040	273	1 696	295	211	1 229	59	6 803
Loans from group companies	6 378	—	—	—	—	—	—	6 378
Subordinated liabilities	—	37	77	135	7 022	8 166	—	15 437
Total on-balance sheet liabilities	**196 857**	**44 319**	**66 936**	**25 102**	**53 069**	**70 024**	**6 077**	**462 384**
Contingent liabilities	3 691	115	545	2 442	6 078	7 301	41	20 213
Commitments	6 817	1 351	8 464	2 384	1 461	14 413	26 660	61 550
Total liabilities	**207 365**	**45 785**	**75 945**	**29 928**	**60 608**	**91 738**	**32 778**	**544 147**

At 31 March R'million	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
Company								
2020								
Liabilities								
Deposits by banks*	378	1 244	283	212	119	36 245	398	38 879
Derivative financial instruments	22 044	—	—	—	—	108	7	22 159
– held for trading	22 044	—	—	—	—	—	—	22 044
– held for hedging risk	—	—	—	—	—	108	7	115
Other trading liabilities	4 521	—	—	—	—	—	—	4 521
Repurchase agreements and cash collateral on securities lent*	3 175	6 659	14 836	42	85	866	2 238	27 901
Customer accounts (deposits)*	162 287	34 322	47 931	30 070	40 895	51 682	4 765	371 952
Debt securities in issue*	—	200	507	54	1 295	517	—	2 573
Other liabilities	2 479	1 152	1 601	794	147	1 612	143	7 928
Loans from group companies	5 890	—	—	—	—	—	—	5 890
Subordinated liabilities	7	53	81	168	302	12 845	—	13 456
Total on-balance sheet liabilities	**200 781**	**43 630**	**65 239**	**31 340**	**42 843**	**103 875**	**7 551**	**495 259**
Contingent liabilities	4 513	—	5 025	504	364	11 373	4 371	26 150
Commitments	5 296	—	7 940	943	1 862	12 754	24 699	53 494
Total liabilities	**210 590**	**43 630**	**78 204**	**32 787**	**45 069**	**128 002**	**36 621**	**574 903**

* In the prior year, contractual maturities on variable rate instruments were calculated for a period of three months post balance sheet due to uncertainty. The prior year has been updated to reflect the contractual maturity by applying the variable rate as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

52. Offsetting

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset^	
At 31 March R'million	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	**Net amount**
Group					
2021					
Assets					
Cash and balances at central banks	9 653	—	9 653	—	9 653
Loans and advances to banks	35 923	(11 257)	24 666	(295)	24 371
Non-sovereign and non-bank cash placements	8 956	—	8 956	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	31 206	(985)	30 221	(3 293)	26 928
Sovereign debt securities	53 009	—	53 009	(9 340)	43 669
Bank debt securities	21 862	—	21 862	(1 498)	20 364
Other debt securities	14 170	—	14 170	(2 828)	11 342
Derivative financial instruments	23 762	(4 589)	19 173	(10 165)	9 008
Securities arising from trading activities	2 869	—	2 869	(1 102)	1 767
Investment portfolio	4 923	—	4 923	—	4 923
Loans and advances to customers	278 088	(3 032)	275 056	—	275 056
Own originated loans and advances to customers securitised	8 184	—	8 184	—	8 184
Other loans and advances	181	—	181	—	181
Other securitised assets	578	—	578	—	578
Other assets	7 382	—	7 382	—	7 382
	500 746	**(19 863)**	**480 883**	**(28 521)**	**452 362**
Liabilities					
Deposits by banks	18 749	(1 605)	17 144	—	17 144
Derivative financial instruments	37 252	(14 241)	23 011	(10 165)	12 846
Other trading liabilities	3 388	—	3 388	—	3 388
Repurchase agreements and cash collateral on securities lent	17 578	(985)	16 593	(16 593)	—
Customer accounts (deposits)	377 401	(3 032)	374 369	—	374 369
Debt securities in issue	2 126	—	2 126	—	2 126
Liabilities arising on securitisation of own originated loans and advances	3 271	—	3 271	—	3 271
Other liabilities	7 421	—	7 421	—	7 421
Subordinated liabilities	12 936	—	12 936	—	12 936
	480 122	**(19 863)**	**460 259**	**(26 758)**	**433 501**

^ The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

52. Offsetting (continued)

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset^	
At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
Group					
2020					
Assets					
Cash and balances at central banks	36 656	—	36 656	—	36 656
Loans and advances to banks	32 940	(14 890)	18 050	(304)	17 746
Non-sovereign and non-bank cash placements	14 014	—	14 014	—	14 014
Reverse repurchase agreements and cash collateral on securities borrowed*	27 417	(991)	26 426	—	26 426
Sovereign debt securities	64 358	—	64 358	(22 670)	41 688
Bank debt securities	12 265	—	12 265	(1 031)	11 234
Other debt securities	17 416	—	17 416	(2 337)	15 079
Derivative financial instruments	31 714	(14 280)	17 434	(9 381)	8 053
Securities arising from trading activities	3 178	—	3 178	(1 542)	1 636
Investment portfolio	5 801	—	5 801	—	5 801
Loans and advances to customers	279 376	(2 622)	276 754	—	276 754
Own originated loans and advances to customers securitised	7 192	—	7 192	—	7 192
Other loans and advances	242	—	242	—	242
Other securitised assets	416	—	416	—	416
Other assets	6 114	—	6 114	—	6 114
	539 099	**(32 783)**	**506 316**	**(37 265)**	**469 051**
Liabilities					
Deposits by banks	40 868	(3 591)	37 277	—	37 277
Derivative financial instruments	47 676	(25 579)	22 097	(9 381)	12 716
Other trading liabilities	4 521	—	4 521	—	4 521
Repurchase agreements and cash collateral on securities lent*	27 617	(991)	26 626	(24 824)	1 802
Customer accounts (deposits)	378 570	(2 622)	375 948	—	375 948
Debt securities in issue	3 258	—	3 258	—	3 258
Liabilities arising on securitisation of own originated loans and advances	1 699	—	1 699	—	1 699
Other liabilities	7 590	—	7 590	—	7 590
Subordinated liabilities	12 037	—	12 037	—	12 037
	523 836	**(32 783)**	**491 053**	**(34 205)**	**456 848**

* An amount of R990.8 million was correctly offset on the balance sheet in the prior year and not disclosed. This has been correctly disclosed in the prior year.

^ The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

52. Offsetting (continued)

At 31 March R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset^: Financial instruments (including non-cash collateral)	Net amount
Company					
2021					
Assets					
Cash and balances at central banks	9 343	—	9 343	—	9 343
Loans and advances to banks	29 105	(11 257)	17 848	(295)	17 553
Non-sovereign and non-bank cash placements	8 956	—	8 956	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	30 099	(985)	29 114	(3 293)	25 821
Sovereign debt securities	53 009	—	53 009	(9 340)	43 669
Bank debt securities	21 366	—	21 366	(1 498)	19 868
Other debt securities	13 876	—	13 876	(2 828)	11 048
Derivative financial instruments	23 757	(4 589)	19 168	(10 165)	9 003
Securities arising from trading activities	2 322	—	2 322	(1 102)	1 220
Investment portfolio	4 668	—	4 668	—	4 668
Loans and advances to customers	272 388	(3 032)	269 356	—	269 356
Other loans and advances	211	—	211	—	211
Other assets	7 008	—	7 008	—	7 008
	476 108	**(19 863)**	**456 245**	**(28 521)**	**427 724**
Liabilities					
Deposits by banks	18 749	(1 605)	17 144	—	17 144
Derivative financial instruments	36 988	(14 241)	22 747	(10 165)	12 582
Other trading liabilities	3 388	—	3 388	—	3 388
Repurchase agreements and cash collateral on securities lent	17 578	(985)	16 593	(16 593)	—
Customer accounts (deposits)	362 230	(3 032)	359 198	—	359 198
Debt securities in issue	1 346	—	1 346	—	1 346
Other liabilities	6 700	—	6 700	—	6 700
Subordinated liabilities	12 936	—	12 936	—	12 936
	459 915	**(19 863)**	**440 052**	**(26 758)**	**413 294**

^ The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
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52. Offsetting (continued)

At 31 March R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset^: Financial instruments (including non-cash collateral)	Net amount
Company					
2020					
Assets					
Cash and balances at central banks	36 374	—	36 374	—	36 374
Loans and advances to banks	26 970	(14 890)	12 080	(304)	11 776
Non-sovereign and non-bank cash placements	14 305	—	14 305	—	14 305
Reverse repurchase agreements and cash collateral on securities borrowed*	26 078	(991)	25 087	—	25 087
Sovereign debt securities	64 358	—	64 358	(22 670)	41 688
Bank debt securities	11 357	—	11 357	(1 031)	10 326
Other debt securities	16 956	—	16 956	(2 337)	14 619
Derivative financial instruments	31 709	(14 280)	17 429	(9 381)	8 048
Securities arising from trading activities	2 932	—	2 932	(1 542)	1 390
Investment portfolio	5 590	—	5 590	—	5 590
Loans and advances to customers	270 001	(2 622)	267 379	—	267 379
Other loans and advances	268	—	268	—	268
Other assets	5 913	—	5 913	—	5 913
	512 811	**(32 783)**	**480 028**	**(37 265)**	**442 763**
Liabilities					
Deposits by banks	40 868	(3 591)	37 277	—	37 277
Derivative financial instruments	47 737	(25 579)	22 158	(9 381)	12 777
Other trading liabilities	4 521	—	4 521	—	4 521
Repurchase agreements and cash collateral on securities lent*	27 617	(991)	26 626	(24 824)	1 802
Customer accounts (deposits)	361 264	(2 622)	358 642	—	358 642
Debt securities in issue	2 428	—	2 428	—	2 428
Other liabilities	7 118	—	7 118	—	7 118
Subordinated liabilities	12 037	—	12 037	—	12 037
	503 590	**(32 783)**	**470 807**	**(34 205)**	**436 602**

* An amount of R990.8 million was correctly offset on the balance sheet in the prior year and not disclosed. This has been correctly disclosed in the prior year.

^ The group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
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53. Derecognition

Transfer of financial assets that do not result in derecognition.

Investec Bank Limited has been party to securitisation transactions whereby assets continue to be recognised on balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

At 31 March R'million	**2021** **Carrying amount of assets that are continued to be recognised**	**Carrying amount of associated liabilities**	2020 Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Company				
No derecognition achieved				
Loans and advances to customers	8 184	8 184	7 192	7 192
	8 184	**8 184**	**7 192**	**7 192**

All the above derecognised assets in the company relate to Fox Street 1 (RF), Fox Street 2 (RF), Fox Street 3 (RF) Ltd, Fox Street 4 (RF) Ltd, Fox Street 5 (RF), Fox Street 6 (RF), Fox Street 7 (RF) and Grayston Drive Autos (RF) at 31 March 2021 and Fox Street 1 (RF), Fox Street 2 (RF), Fox Street 3 (RF) Ltd, Fox Street 4 (RF) Ltd, Fox Street 5 (RF), Fox Street 6 (RF) and Fox Street 7 (RF) at 31 March 2020.

For additional information on securitisation refer to page 159 in note 57.

For transfer of assets in relation to repurchase agreements see note 19 and note 47.

54. Restatements

Income statement restatements

Interest income and fee and commission income restatement

During the year to 31 March 2021, management identified that revenue relating to services rendered to customers (for the facilitation of import and export transactions) was previously reported within interest income rather than within fee and commission income.

As a result, interest income and fee and commission income for the prior year have been restated. The restatement has no impact on total operating income in the income statement, headline earnings, the statement of cash flows and the balance sheet.

The impact of the restatement on the 31 March 2020 income statement is:

Group **R'million**	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Interest income	35 549	(270)	35 279
Fee and commission income	2 836	270	3 106

Company **R'million**	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Interest income	34 704	(270)	34 434
Fee and commission income	2 725	270	2 995

NOTES TO THE FINANCIAL STATEMENTS
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54. Restatements (continued)
Balance sheet restatements
Current taxation assets and other assets

Current taxation assets of R35 million (2020: R42 million), which were previously reported within other assets, are now reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. The prior year has been re-presented to reflect the same basis.

Software and Other acquired intangible assets

Software of R95 million (2020: R149 million) in the group and R97 million (2020: R151 million) in the company, which was previously reported within intangible assets, is now reported as a separate line item. The prior year has been re-presented to reflect the same basis.

Perpetual preference share capital and premium

Perpetual preference share premium of R1 481 million (2020: R1 534 million), which was previously reported within share premium, is now reported within perpetual preference share capital and premium. The prior year has been re-presented to reflect the same basis.

The re-presentation of software and the perpetual preference share premium was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios.

Cash flow statement restatements
As at 31 March 2021, amounts previously reported within loans and advances to banks have been correctly presented as cash and cash equivalents. This change has been made to include items previously reported as loans and advances to banks identified as short term in nature, with a maturity date of less than three months, which therefore meet the definition of cash and cash equivalents. In the prior year, non-cash flow items related to taxation and impairment of investment in subsidiaries was included in determining taxation paid and cash flows from operating assets. These amounts were corrected in the current year.

The prior year has been restated as follows:

Group R'million	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Operating profit adjusted for non-cash and non-operating items	6 051	—	6 051
Taxation paid	(1 224)	447	(777)
Increase in operating assets	(32 482)	(3 010)	(35 492)
Increase in operating liabilities	58 546	—	58 546
Net cash inflow/(outflow) from operating activities	**30 891**	**(2 563)**	**28 328**
Net cash outflow from investing activities	(248)	—	(248)
Net cash outflow from financing activities	(3 590)	—	(3 590)
Effects of exchange rate changes on cash and cash equivalents	1 092	—	1 092
Net increase/(decrease) in cash and cash equivalents	**28 145**	**(2 563)**	**25 582**
Cash and cash equivalents at the beginning of the year	30 754	11 121	41 875
Cash and cash equivalents at the end of the year	**58 899**	**8 558**	**67 457**

Company R'million	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Operating profit adjusted for non-cash and non-operating items	5 607	642	6 249
Taxation paid	(2 545)	1 841	(704)
Increase in operating assets	(29 035)	(5 045)	(34 080)
Increase in operating liabilities	58 926	—	58 926
Net cash inflow/(outflow) from operating activities	**32 953**	**(2 562)**	**30 391**
Net cash outflow from investing activities	(249)	—	(249)
Net cash outflow from financing activities	(3 585)	—	(3 585)
Net increase/(decrease) in cash and cash equivalents	**29 119**	**(2 562)**	**26 557**
Cash and cash equivalents at the beginning of the year	24 315	11 120	35 435
Cash and cash equivalents at the end of the year	**53 434**	**8 558**	**61 992**

NOTES TO THE FINANCIAL STATEMENTS
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55. Events after the reporting period

The group owns a 47.4% stake in IEP and accounts for the investment as an interest in associated undertaking by using the equity accounted method. During the year, the group's share of profit attributable to ordinary shareholders and movements in other comprehensive income was equity accounted for at the 47.4% stake owned by the group. The IEP annual financial statements were completed and signed on 2 June 2021 and in the statement of changes in equity, a direct reduction of ordinary equity was identified of R864 million. The reduction mainly relates to the accounting for disposals and acquisitions of certain subsidiary entities' equity shares to and from non-controlling shareholders at agreed values. As a result, the excess purchase consideration above consolidated net asset values of the related subsidiaries is recognised as a direct debit against equity (which will be recycled to profit and loss on realisation of the subsidiary). As a result of these transactions, the group had to account for its share in the reduction in equity by reducing the carrying value of IEP investment and by reducing equity by R409 million.

The group has also considered the impact of subsequent events that would be considered non-adjusting, such as changes in the key management assumptions detailed in the accounting policies. Despite the uncertainty caused by the COVID-19 pandemic, management is satisfied that there were no such items identified of sufficient significance to warrant additional disclosure. The group declared a dividend of R1.5 billion on 18 June 2021, which was paid to IBL's sole shareholder, Investec Limited on 22 June 2021. Other than this, management is not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

56. Directors' remuneration

The following disclosures are those required by the Companies Act in respect of remuneration of directors and prescribed officers.

Executive and non-executive directors donated a portion of their remuneration/fees via salary sacrifice during the year to COVID-19 causes including the Solidarity Fund.

Directors' annual remuneration

R'000	**Salaries, directors' fees and other remuneration 2021**	**Annual bonus 2021**	**Total remuneration expense 2021**	Salaries, directors' fees and other remuneration 2020	Annual bonus 2020	Total remuneration expense 2020
Executive directors						
Richard Wainwright (Chief Executive Officer)[1]	7 368	11 330	18 698	5 725	18 800	24 525
Fani Titi[2]	3 055	5 791	8 846	1 881	–	1 881
Stuart Spencer[3]	8 729	10 759	19 488	2 788	12 500	15 288
Total	**19 152**	**27 880**	**47 032**	**10 394**	**31 300**	**41 694**
Non-executive directors						
Khumo Shuenyane (Chair)	2 208	–	2 208	2 500	–	2 500
David Lawrence (Deputy Chair)[5]	2 312	–	2 312	2 530	–	2 530
Zarina Bassa[45]	1 711	–	1 711	925	–	925
David Friedland[4]	1 162	–	1 162	940	–	940
Philip Hourquebie[4]	1 213	–	1 213	340	–	340
Morris Mthombeni	715	–	715	–	–	–
Mvuleni Qhena	862	–	862	–	–	–
Peter Thomas[6]	461	–	461	1 575	–	1 575
Total	**10 644**	**–**	**10 644**	**8 810**	**–**	**8 810**
Total	**29 796**	**27 880**	**57 676**	**19 204**	**31 300**	**50 504**

Fees constitute Investec Bank Limited board fees, committee fees, inclusive of any additional attendance fees. Total fees paid to the directors for Investec Bank Ltd, Investec plc and Investec Limited are disclosed in the Investec integrated annual report.

1 Richard Wainwright – Appointed Investec DLC director 17 September 2020. Pro rata 2021 remuneration earned in respect to services rendered for Investec Bank Ltd. Full disclosure of remuneration for the Investec group is disclosed in the Investec integrated annual report.
2 Fani Titi – short-term incentive awards for 2020 for Fani Titi were rescinded at the recipients' request to align with his colleagues and the Group's shareholder's experience. This shows remuneration earned in respect of services rendered for Investec Bank Ltd only.
3 Stuart Spencer – The 2020 number has been restated to be the full remuneration received for the year. As disclosed in the 2020 annual report, Stuart Spencer was eligible for a top up award in December 2020. An additional R7 million was paid to Stuart Spencer. In line with the request from the PA, the cash portion of the bonus was not paid in-cash, but delivered in INL shares with a six month vesting period. The June 2020 bonus of R5.5 million was delivered in shares and the cash portion of the bonus was subject to a 12 month vesting period.
4 Zarina Bassa, David Friedland and Philip Hourquebie - Includes fees received during the financial period for committee work performed from January 2019 to June 2020.
5 David Lawrence and Zarina Bassa - Includes fees received as non-executive directors of Investec Bank Mauritius.
6 Peter Thomas – resigned from the board on 6 August 2020.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

56. Directors' remuneration (continued)

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2021

	Beneficial and non-beneficial interest		% of shares in issue[1]	Beneficial and non-beneficial interest		% of shares in issue[1]
	Investec plc[2]		Investec plc	Investec Limited[3]		Investec Limited
	31 March 2021	1 April 2020	31 March 2021	31 March 2021	1 April 2020	31 March 2021
Executive directors						
Richard Wainwright	–	–	0.00%	830 316	738 650	0.26%
Fani Titi	541 970	145 481	0.08%	–	–	0.00%
Stuart Spencer	–	–	0.00%	432 468	144 505	0.14%
Total	**541 970**	**145 481**	**0.08%**	**1 262 784**	**883 155**	**0.40%**
Non-executive directors						
Khumo Shuenyane	19 900	19 900	0.00%	–	–	0.00%
David Lawrence	749 410	749 410	0.11%	100 590	100 590	0.03%
Zarina Bassa	–	–	0.00%	–	–	0.00%
David Friedland	–	–	0.00%	–	–	0.00%
Philip Hourquebie	–	–	0.00%	–	–	0.00%
Morris Mthombeni	–	–	0.00%	–	–	0.00%
Mvuleni Qhena	–	–	0.00%	–	–	0.00%
Peter Thomas[4]	–	–	0.00%	–	–	0.00%
Total	**769 310**	**769 310**	**0.11%**	**100 590**	**100 590**	**0.03%**

The table above reflects holdings of shares by current directors.

1 The issued share capital of Investec plc and Investec Ltd at 31 March 2021 was 696.1 million and 318.9 million shares, respectively.
2 The market price of an Investec plc share at 31 March 2021 was £2.19 (2020: £1.52), ranging from a low of £1.26 to a high of £2.35 during the financial year.
3 The market price of an Investec Limited share at 31 March 2021 was R43.27 (2020: R33.99), ranging from a low of R28.14 to a high of R46.25 during the financial year.
4 Peter Thomas resigned from the board on 6 August 2020.

Directors' direct interest in preference shares at 31 March 2021

	Investec Bank Limited		Investec Limited		Investec plc	
	31 March 2021	1 April 2020	31 March 2021	1 April 2020	31 March 2021	1 April 2020
David Lawrence	5 116	5 116	12 659	12 659	–	–
Stuart Spencer	900	900	1 000	1 000	–	–

There were no changes between the end of the financial year and the date of the approval of the annual financial statement.

The market price of an Investec Bank Limited preference share at 31 March 2021 was R68.99 (2020: R50.00).
The market price of an Investec Limited preference share at 31 March 2021 was R62.29 (2020: R49.97).
The market price of an Investec plc preference share at 31 March 2021 was R71.00 (2020: R90.00).

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CONTINUED

56. Directors’ remuneration (continued)

Directors’ interest in options at 31 March 2021

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors’ interest in long-term incentive plans at 31 March 2021

Investec Limited shares

Name	Date of grant	Exercise price	Number of Investec Limited shares at 1 April 2020	Exercised during the year	Options/ Conditional granted / lapsed during the year	**Balance at 31 Mar 2021**	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
Richard Wainwright	2 June 2016	Nil	100 000	(50 000)	–	**50 000**	R32.97	R1 648 500 2 Jun 2020	Final third is exercisable on 5 March 2021
	8 June 2017	Nil	125 000	(41 666)	–	**83 334**	R32.73	R1 363 728 25 Aug 2020	One third was exercisable on 6 February 2020, 6 February 2021 and the final third on 10 March 2022
	31 May 2018	Nil	125 000	–	–	**125 000**	–	–	One third is exercisable on 30 June 2021, 30 June 2022 and the final third on 2 March 2023
	29 May 2019	Nil	123 864	–	–	**123 864**	–	–	One third is exercisable on 25 July 2022, 25 July 2023 and the final third on 26 February 2024
	5 June 2020[1]	Nil	–	–	309 024	**309 024**	–	–	One third is exercisable on 18 June 2023, 18 June 2024 and the final third on 3 February 2025
	5 June 2020[2]	Nil	–	–	580 965	**580 965**	–	–	17% is exercisable on 5 June 2021, 25 July 2022, 25 July 2023 and the final 50% on 26 February 2026
Stuart Spencer	2 June 2016	Nil	32 000	(16 000)	–	**-**	R32.60	R521 613 26 May 2020	
				(16 000)	–	**-**	R44.20	R707 200 8 Mar 2021	
	8 June 2017	Nil	66 667	(33 333)	–	**33 334**	R39.85	R1 328 293 9 Feb 2021	The final third is exercisable on 10 March 2022
	31 May 2018	Nil	50 000	–	–	**50 000**	–	–	One third is exercisable on 30 June 2021, 30 June 2022 and 2 March 2023
	29 May 2019	Nil	35 000	–	–	**35 000**	–	–	One third is exercisable on 25 July 2022, 25 July 2023, 26 February 2024
	5 June 2020	Nil	–	–	92 708	**92 708**	–	–	One third is exercisable on 18 June 2023, 18 June 2024 and the final third on 3 February 2025

1. Award is subject to performance conditions.
2. Conditional award in relation to 2020 bonus, not subject to performance conditions.

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56. Directors' remuneration (continued)

Directors' interests in the Investec plc Executive Incentive Plan 2013 at 31 March 2021 (audited)

Long-term share awards granted in respect of the 2020 financial year

Name	Date of grant	Exercise price	Number of Investec plc shares as at 1 April 2020	Conditional awards made during the year	Balance at 31 Mar 2021	Performance period	Period exercisable	Retention period	Treatment on termination of employment
Fani Titi	29 May 2019	Nil	278 080	–	**278 080**	1 April 2019 to 31 March 2022	One fifth is exercisable on 29 May each year commencing on 29 May 2022 until 29 May 2026 subject to performance criteria being met	A further twelve months retention after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award.
	5 June 2020	Nil	–	769 231	**769 231**	1 April 2020 to 31 March 2023	One fifth is exercisable on 5 June each year commencing on 05 June 2023 until 05 June 2027 subject to performance criteria being met	A further twelve months retention after vesting date	Will be pro-rated based on the service over the performance period, relative to the performance period of the award.

The number of shares in issue and share prices for Investec plc and Investec Limited are provided below:

	31 March 2021	31 March 2020	High over the year	Low over the year
Investec plc share price	**£2.19**	£1.52	£2.35	£1.26
Investec Limited share price	**R43.27**	R33.99	R46.25	R28.14
Number of Investec plc shares in issue (million)	**696.1**	696.1		
Number of Investec Limited shares in issue (million)	**318.9**	318.9		

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56. Directors' remuneration (continued)
Non-executive directors
The fee structure for non-executive directors for the period ending 31 August 2021 and as proposed for 2022 are shown in the table below.

The Chair has not had an increase since taking on the role. The Chair fee was also reduced by 20% in the prior year. The chair fee was adjusted in line with the South African market after a benchmark exercise.

Non-executive directors' remuneration	Reduction in fees at 31 Aug 2020	Period ending 31 August 2021	As proposed by the board for the period from 1 September 2021 to 1 August 2022	% Change
Chair's total fee	(20)%	R2 000 000 per year	R2 750 000 per year	38%
Basic non-executive director fee	(10)%	R450 000 per year	R500 000 per year	11%
Member of the IBL board (also member of the DLC board)	(10)%	R306 000 per year	R250 000 per year	(18)%
Chair of the IBL audit committee			R250 000 per year	
Member of the IBL audit committee	(10)%	R213 750 per year	R275 000 per year	29%
Member of the IBL audit committee (also member of the DLC audit committee			R240 000 per year	
Chair of the IBL BRCC			R180 000 per year	
Member of the IBL BRCC	(10)%	R135 000 per year	R175 000 per year	30%
Member of the IBL BRCC (also member of the DLC BRCC)			R150 000 per year	
Chair of the IBL remuneration committee			R250 000 per year	
Member of the IBL remuneration committee	(10)%	R135 000 per year	R150 000 per year	11%
DLC representative on the IBL remuneration committee			R135 000 per year	

Pillar 3 remuneration disclosures – 2021
Investec Bank Ltd is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Prudential Authority's Basel Pillar III disclosure requirements.

The Pillar 3 remuneration disclosures will be set out in the Investec Bank Ltd Pillar 3 risk management report to be published on the Investec website.

Key management personnel
Details of Directors remuneration and interest shares are disclosed on pages 134 to 137.

IAS 24 "Related party disclosures" requires the following additional information for key management compensation.

Compensation of key management personnel R'000	2021	2020
Short-term employee benefits[1]	202 430	155 436
Other long-term employee benefits	85 549	101 183
Share-based payment	50 831	76 461
Total	**338 810**	**333 080**

1 The 2020 number has been restated to be the full remuneration received for the year. As disclosed in the 2020 annual report, S Spencer was eligible for a top up award in December 2020. An additional R7 million was paid to S Spencer.

Shareholdings, options and other securities of key management personnel

'000	2021	2020
Number of options held over Investec plc or Investec Limited ordinary shares under employee share schemes	2 013	3 079

'000	2021	2020
Number of Investec plc or Investec Limited Ordinary shares held beneficially and non-beneficially	3 836	2 459

We have defined key management personnel as the executive directors of Investec Bank Ltd, Investec plc and Investec Limited plus those classified as persons discharging managerial responsibility. In addition to the directors listed in the report, those are Ciaran Whelan, Nishlan Samujh, Mark Currie, Marc Kahn and Lyndon Subroyen.

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57. Risk Management

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 South Africa as well as other relevant jurisdictions such as Mauritius. These committees also have oversight of regions where we assume credit risk and 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 and decentralised 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 and the Arrears, Default and Recovery (ADR) Forum 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. They provide recommendations for the appropriate staging and level of ECL impairment where appropriate
- Impairment Decision Committee (IDC) reviews recommendations from underlying Watchlist Forums and ADR Forums respectively and consider and approve the appropriate level of ECL impairments and staging
- The Model Review Forum provides an internal screening and validation process for credit models. We have established independent model validation teams who review the models and provide feedback on the accuracy and operation of the models and note items for further development through the 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.

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 being 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 with non-executive review and oversight through the IBL BRCC and Large Exposure Committee
- 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 the board through IBL BRCC. The board 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.

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.

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57. Risk Management (continued)

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 group 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.

As 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. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

For property-backed lending, we also consider the client's overall balance sheet. The following characteristics of the property are also 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.

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. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value (LTV) 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. Primarily, the market standard legal documents that govern this include the International Swaps and Derivatives Association (ISDA) Master Agreements, 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 mark-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 an external legal opinion within the legal jurisdiction of the agreement.

Set-off is 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 155.

The bank implements robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which the bank 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.

NOTES TO THE FINANCIAL STATEMENTS
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57. Risk Management (continued)
An analysis of gross core loans, asset quality and ECL
The tables that follow provide information with respect to the asset quality of our gross core loans.

Asset quality metrics reflect the solid performance of core loans for the year ended 31 March 2021. The credit loss ratio improved to 0.18% at 31 March 2021 from 0.37% reported at 31 March 2020 as the portfolio benefited from better than expected recoveries.

Gross core loans decreased by 0.5% due to lower originations during the year under review coupled with repayments, mainly in the corporate portfolio. Stage 2 exposures remain relatively flat at 5.3% of gross core loans subject to ECL at 31 March 2021 (31 March 2020: 5.3%), albeit reduced from 6.5% at 30 September 2020. The Stage 3 increase to 2.5% of gross core loans subject to ECL is attributable to a few single name exposures that are adequately provided for.

Overall coverage for Stage 1 and Stage 2 remains flat year on year at 0.5% for 31 March 2021. Stage 3 coverage decreased to 18.5% (31 March 2020: 43.2%) due to the write-off of certain exposures.

R'million	31 March 2021	31 March 2020
Loans and advances to customers per the balance sheet	275 056	276 754
Add: Own originated loans and advances to customers per the balance sheet	8 184	7 192
Net core loans	**283 240**	**283 946**
of which subject to ECL*	281 819	281 779
Net core loans at amortised cost	259 531	261 077
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)*	22 288	20 702
of which FVPL (excluding fixed rate loans above)	1 421	2 167
Add: ECL	2 728	3 359
Gross core loans	**285 968**	**287 305**
of which subject to ECL*	284 547	285 138
of which FVPL (excluding fixed rate loans above)	1 421	2 167

R'million	31 March 2021	31 March 2020
Gross core loans subject to ECL	**284 547**	285 138
Stage 1	262 395	265 674
Stage 2	14 969	15 111
of which past due greater than 30 days	272	1 297
Stage 3	7 183	4 353
ECL	**(2 728)**	(3 359)
Stage 1	(984)	(1 056)
Stage 2	(416)	(423)
Stage 3	(1 328)	(1 880)
Coverage ratio		
Stage 1	0.38%	0.40%
Stage 2	2.8%	2.8%
Stage 3	18.5%	43.2%
Credit loss ratio	**0.18%**	**0.37%**
ECL impairment charges on core loans	(519)	(1 021)
Average gross core loans subject to ECL	284 842	277 630
A analysis of Stage 3 core loans subject to ECL		
Stage 3 net of ECL	5 855	2 473
Aggregate collateral and other credit enhancements on Stage 3	8 253	2 696
Stage 3 as a % of gross core loans subject to ECL	2.5%	1.5%
Total ECL as a % of Stage 3 exposure	38.0%	77.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	2.1%	0.9%

* Includes portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis. These are fixed rate loans which have passed the SPPI and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. The drawn (R22 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2020: R21 billion). The ECL on the portfolio is R105 million (31 March 2020: R67 million).

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CONTINUED

57. Risk Management (continued)

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

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2020 to 31 March 2021.

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
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)**
Transfer from Stage 1	(9 234)	36	7 800	(28)	1 434	(8)	—	—
Transfer from Stage 2	4 882	(83)	(7 371)	227	2 489	(144)	—	—
Transfer from Stage 3	148	(29)	56	(13)	(204)	42	—	—
ECL remeasurement arising from transfer of stage	—	88	—	(103)	—	(289)	—	(304)
New lending net of repayments (includes assets written off)	3 535	45	(479)	44	(864)	1 015	2 192	1 104
Changes to risk parameters and models	—	—	—	(120)	—	(74)	—	(194)
Foreign exchange and other	(2 610)	15	(148)	—	(25)	10	(2 783)	25
At 31 March 2021	**262 395**	**(984)**	**14 969**	**(416)**	**7 183**	**(1 328)**	**284 547**	**(2 728)**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)
An analysis of credit quality by internal rating grade
The banks 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 group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales.

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% – 6.089%	IB13 – IB19	BB+ to B-
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2021 for gross core loans 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 2021 **R'million**	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	Total
Gross core loans subject to ECL	**112 610**	**150 487**	**14 267**	**7 183**	**284 547**
Stage 1	111 986	138 807	11 602	—	262 395
Stage 2	624	11 680	2 665	—	14 969
Stage 3	—	—	—	7 183	7 183
ECL	**(154)**	**(856)**	**(390)**	**(1 328)**	**(2 728)**
Stage 1	(91)	(647)	(246)	—	(984)
Stage 2	(63)	(209)	(144)	—	(416)
Stage 3	—	—	—	(1 328)	(1 328)
Coverage ratio	**0.1%**	**0.6%**	**2.7%**	**18.5%**	**1.0%**

At 31 March 2020 **R'million**	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	Total
Gross core loans subject to ECL	**111 931**	**150 964**	**17 890**	**4 353**	**285 138**
Stage 1	110 678	141 294	13 702	—	265 674
Stage 2	1 253	9 670	4 188	—	15 111
Stage 3	—	—	—	4 353	4 353
ECL	**(379)**	**(664)**	**(436)**	**(1 880)**	**(3 359)**
Stage 1	(321)	(525)	(210)	—	(1 056)
Stage 2	(58)	(139)	(226)	—	(423)
Stage 3	—	—	—	(1 880)	(1 880)
Coverage ratio	**0.3%**	**0.4%**	**2.4%**	**43.2%**	**1.2%**

In the prior year, the disclosure of the exposure by stage and rating bucket was done by using the one-year point-in-time PDs and converted to ratings by mapping from a PD master scale. This application resulted in the following disclosure at 31 March 2020:

At 31 March 2020 **R'million**	IB01 – IB12	IB13 – IB19	IB20 – IB25	Stage 3	Total
Gross core loans 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%**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

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

Client quality and expertise are at the core of our credit philosophy. We provide senior debt and other funding for property transactions, with a strong preference for income producing assets supported by an experienced sponsor 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.

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Commercial real estate	**46 387**	**(227)**	**2 816**	**(78)**	**2 197**	**(262)**	**51 400**	**(567)**	**—**	**51 400**
Commercial real estate – investment	42 281	(202)	2 704	(77)	2 182	(256)	47 167	(535)	—	47 167
Commercial real estate – development	3 404	(22)	49	(1)	—	—	3 453	(23)	—	3 453
Commercial vacant land and planning	702	(3)	63	—	15	(6)	780	(9)	—	780
Residential real estate	**7 706**	**(29)**	**229**	**(6)**	**105**	**(22)**	**8 040**	**(57)**	**—**	**8 040**
Residential real estate – investment	3 792	(11)	—	—	96	(19)	3 888	(30)	—	3 888
Residential real estate – development	3 189	(15)	226	(6)	—	—	3 415	(21)	—	3 415
Residential vacant land and planning	725	(3)	3	—	9	(3)	737	(6)	—	737
Total lending collateralised by property	**54 093**	**(256)**	**3 045**	**(84)**	**2 302**	**(284)**	**59 440**	**(624)**	—	**59 440**
Coverage ratio		**0.47%**		**2.8%**		**12.3%**		**1.1%**		
At 31 March 2020^										
Commercial real estate	**49 619**	**(336)**	**1 315**	**(4)**	**543**	**(100)**	**51 477**	**(440)**	**—**	**51 477**
Commercial real estate – investment	44 404	(311)	1 305	(4)	542	(99)	46 251	(414)	—	46 251
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	**7 076**	**(59)**	**51**	**(2)**	**20**	**(10)**	**7 147**	**(71)**	**—**	**7 147**
Residential real estate – investment	3 102	(26)					3 102	(26)		3 102
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	**56 695**	**(395)**	**1 366**	**(6)**	**563**	**(110)**	**58 624**	**(511)**	—	**58 624**
Coverage ratio		**0.70%**		**0.4%**		**19.5%**		**0.9%**		

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

An analysis of core loans 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. 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, should reduce income volatility) and individuals in defined professions which have historically supported a sustainable income base, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Mortgages	76 604	(133)	3 632	(134)	1 391	(318)	81 627	(585)	—	81 627
High net worth and specialised lending	63 119	(261)	1 063	(20)	1 471	(324)	65 653	(605)	—	65 653
Total high net worth and other private client lending	**139 723**	**(394)**	**4 695**	**(154)**	**2 862**	**(642)**	**147 280**	**(1 190)**	**—**	**147 280**
Coverage ratio		**0.28%**		**3.3%**		**22.4%**		**0.8%**		
At 31 March 2020^										
Mortgages	74 040	(68)	2 454	(56)	1 204	(290)	77 698	(414)	—	77 698
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	**138 382**	**(329)**	**4 515**	**(182)**	**1 703**	**(711)**	**144 600**	**(1 222)**	**—**	**144 600**
Coverage ratio		**0.24%**		**4.0%**		**41.8%**		**0.9%**		

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

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

We focus on traditional client-driven corporate lending activities. 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 deemed appropriate.

The bank has limited appetite for unsecured credit risk and facilities are typically secured on the assets of the underlying borrower as well as shares in 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. 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 bilateral basis, and have a close relationship with management and sponsors
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is mainly UK, USA, Europe and 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 a fund entity and secured against undrawn limited partner commitments and/or the underlying assets
- **Financial institutions and governments:** provides senior secured loans to financial institutions or government backed entities where credit risk is assessed against debt serviceability or mitigated by government guarantees
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases 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 a requirement for a strong upfront equity contribution from an experienced sponsor.

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57. Risk Management (continued)

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1									
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2021										
Corporate and acquisition finance	44 943	(216)	6 425	(160)	1 462	(339)	52 830	(715)	1 421	54 251
Fund finance	7 624	(29)	—	—	—	—	7 624	(29)	—	7 624
Financial institutions and governments	3 351	(4)	156	(4)	3	—	3 510	(8)	—	3 510
Asset finance	6 396	(71)	219	(11)	554	(63)	7 169	(145)	—	7 169
Small ticket asset finance	4 127	(48)	219	(11)	506	(40)	4 852	(99)	—	4 852
Large ticket asset finance	2 269	(23)	—	—	48	(23)	2 317	(46)	—	2 317
Power and infrastructure finance	6 265	(14)	429	(3)	—	—	6 694	(17)	—	6 694
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**68 579**	**(334)**	**7 229**	**(178)**	**2 019**	**(402)**	**77 827**	**(914)**	**1 421**	**79 248**
Coverage ratio		**0.49%**		**2.5%**		**19.9%**		**1.2%**		
At 31 March 2020^										
Corporate and acquisition finance	42 622	(251)	7 213	(220)	1 731	(535)	51 566	(1 006)	1 563	53 129
Fund finance	8 408	(26)	—	—	—	—	8 408	(26)	—	8 408
Financial institutions and governments	6 068	(6)	234	(1)	—	—	6 302	(7)	—	6 302
Asset finance	8 030	(35)	203	(3)	356	(524)	8 589	(562)	604	9 193
Small ticket asset finance	4 850	(25)	203	(3)	356	(524)	5 409	(552)	604	6 013
Large ticket asset finance	3 180	(10)	—	—	—	—	3 180	(10)	—	3 180
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	**70 597**	**(332)**	**9 230**	**(235)**	**2 087**	**(1 059)**	**81 914**	**(1 626)**	**2 167**	**84 081**
Coverage ratio		**0.47%**		**2.6%**		**50.7%**		**2.0%**		

^ During the current financial year, the risk appetite classifications were reviewed and, where necessary, amended to ensure that the classifications align with how the underlying portfolios and associated credit risk is managed and that they are consistent with the risk appetite framework and the internal risk management approach of the bank.

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57. Risk Management (continued)
The tables that follow provide an analysis of the bank's gross credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

R'million	31 March 2021	31 March 2020
Cash and balances at central banks	9 275	36 390
Loans and advances to banks	24 669	18 054
Non-sovereign and non-bank cash placements	9 005	14 045
Reverse repurchase agreements and cash collateral on securities borrowed	30 222	26 427
Sovereign debt securities	53 014	64 362
Bank debt securities	21 865	12 270
Other debt securities	14 177	17 427
Derivative financial instruments	15 461	16 255
Securities arising from trading activities	2 828	3 045
Loans and advances to customers	277 759	280 097
Own originated loans and advances to customers securitised	8 209	7 208
Other loans and advances	205	267
Other assets	—	113
Total on-balance sheet exposures	**466 689**	**495 960**
Guarantees	14 903	17 313
Committed facilities related to loans and advances to customers	64 358	56 019
Contingent liabilities, letters of credit and other	7 525	9 380
Total off-balance sheet exposures	**86 786**	**82 712**
Total gross credit and counterparty exposures	**553 475**	**578 672**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

A further analysis of our 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 2021 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	9 275	—	9 275	—	378	9 653
Loans and advances to banks	24 669	—	24 669	(3)	—	24 666
Non-sovereign and non-bank cash placement	9 005	23	8 982	(49)	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	30 222	12 477	17 745	(1)	—	30 221
Sovereign debt securities	53 014	3 266	49 748	(55)	—	52 959
Bank debt securities	21 865	288	21 577	(9)	—	21 856
Other debt securities	14 177	60	14 117	(23)	—	14 154
Derivative financial instruments	15 461	15 461	—	—	3 712	19 173
Securities arising from trading activities	2 828	2 828	—	—	41	2 869
Investment portfolio	—	—	—	—	4 923 *	4 923
Loans and advances to customers	277 759	23 814	253 945	(2 703)	—	275 056
Own originated loans and advances to customers securitised	8 209	—	8 209	(25)	—	8 184
Other loans and advances	205	—	205	(24)	—	181
Other securitised assets	—	—	—	—	578 ^^	578
Interest in associated undertakings	—	—	—	—	5 149	5 149
Deferred taxation assets	—	—	—	—	2 412	2 412
Other assets	—	—	—	—	7 417 **	7 417
Property and equipment	—	—	—	—	2 740	2 740
Investment properties	—	—	—	—	1	1
Goodwill	—	—	—	—	175	175
Other acquired intangible assets	—	—	—	—	116	116
Software	—	—	—	—	97	97
Non-current assets classified as held for resale	—	—	—	—	474	474
Loans to group companies	—	—	—	—	17 410	17 410
Total on-balance sheet exposures	**466 689**	**58 217**	**408 472**	**(2 892)**	**45 623**	**509 420**
Guarantees	14 903	—	14 903	(5)	1 024	15 922
Committed facilities related to loans and advances to customers	64 358	—	64 358	(69)	—	64 289
Contingent liabilities, letters of credit and other	7 525	3 521	4 004	—	22 887	30 412
Total off-balance sheet exposures	**86 786**	**3 521**	**83 265**	**(74)**	**23 911**	**110 623**
Total exposures	**553 475**	**61 738**	**491 737**	**(2 966)**	**69 534**	**620 043**

^ Includes R72 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)
A further analysis of our gross credit and counterparty exposures (continued)

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 placement	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
Interest 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**

^ Includes R48 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

Key judgements

The expected impact from COVID-19, as well as the offsetting effect of government relief measures, has 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 impacts of the sovereign downgrade by Moody's to sub-investment grade as well as the impact of COVID-19. Management performed extensive benchmarking of credit loss ratios, macro-economic scenarios applied and the coverage ratios against South African banks. It was concluded that the ECL position appeared reasonable in comparison to industry peers.

A management ECL overlay of R290 million (31 March 2020: R190 million) was raised for the Private Bank portfolio to account for the unique nature of the COVID-19 pandemic and the impact on the South African economy. Specifically, the management ECL overlay accounts for emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios. Management believes that these risks are not adequately represented by the historic data used to populate the ECL models. The management ECL overlay was calculated with reference to published market data that best represents the possible exposure to these emerging risks. The management ECL overlay was estimated after stressing the PD and loss given default (LGD) of the relevant credit exposures. In line with our previous approach Stage 3 ECLs continued to be assessed using expert credit judgement.

Given the fast-changing nature of the COVID-19 pandemic and the government measures announced, we will continue to review and refine our approach to calculate the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

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 relevant BRCCs as well as the relevant capital committees, which form part of the principal governance framework for macro-economic scenarios.A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec-specific stress scenarios) and IFRS 9.

For the bank, five macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, two upside cases and two downside cases. The aim of this economic scenario generation process was 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.

As at 31 March 2021 all five scenarios were updated to incorporate the latest available data, although it should be noted that the impact of the COVID-19 pandemic has been severe and unprecedented and South Africa's economy has still not recovered to its production levels pre-pandemic. The deep scarring is likely to be persistent until 2024 in real terms.

The base case is characterised by the view that South Africa's economic recovery continues out to 2024 (in real terms) in order to reach pre-pandemic levels of production, as COVID-19 is overcome at a modest pace. Underpinning this view is that the global economic recovery continues over the period, supported by sufficient monetary and other policy supports in key advanced economies and market risk sentiment is neutral to somewhat risk on. However, the sharp deterioration last year in South Africa's government finances has resulted in further credit rating downgrades, although a degree of fiscal consolidation is expected over the medium term. As a consequence, the base case sees South Africa retain a country rating from Moody's that is one of the three grades in the BB (Ba) category – currently Moody's rates South Africa Ba2 (BB-). Expropriation of private sector property without compensation is expected to be limited and not have a negative impact on the economy or on market sentiment. As at 31 March 2020, the weighting of the base case was 43%, but at 31 March 2021 the scenario weighting of the base case was revised up to 48% due to the improved outlook caused by the strength of economic recoveries under way globally and domestically.

The lite down case has the same expected international environment (including risk sentiment) as the base case, but the domestic environment differs. Under this scenario South Africa fails to stabilise its debt and falls into the single B credit ratings bracket from all three agencies while the effects from COVID-19 are slow to overcome. Expropriation of some private sector property without compensation occurs, with a moderate, negative impact on the economy. Business confidence is depressed with weak investment growth, while significant load shedding occurs, and the country falls into recession. A substantial degree of fiscal consolidation ultimately occurs, preventing South Africa's credit ratings from falling through the C credit rating grades. As at 31 March 2020 the weighting of the lite down case was 42%, but by 31 March 2021 it was revised to 44% due to marked deterioration in South Africa's government finances.

The severe down case is characterised by a lengthy global recession and/or global financial crisis (which could be caused or exacerbated by the failure to overcome the COVID-19 pandemic but is not limited to this), with insufficient monetary and other policy supports. A depression occurs in the South African economy, with extreme Rand weakness. South Africa's credit ratings from all three key agencies drop below the single B categories, then fall through the C grade categories eventually to D grade (default) as government borrows from increasingly wider sources and sinks deeper into a debt trap, and then defaults. Eventually widespread load shedding and civil unrest occur. Nationalisation of private sector property under expropriation without compensation occurs with severe negative impacts for the economy. At 31 March 2020 the scenario weighting of the severe down case was 10%, while at 31 March 2021 the weighting was 5% as the global economy has seen strong progress in recovery, while there is now evidence that government is working towards fiscal consolidation.

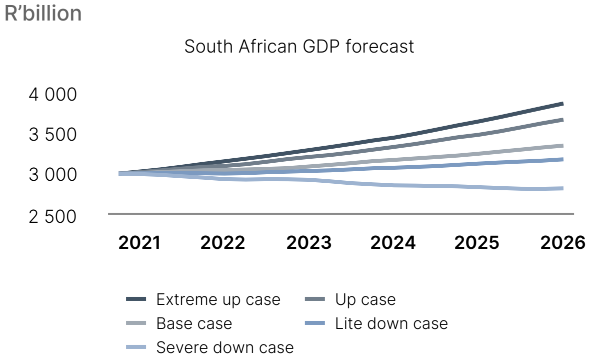
The up case is depicted by a relatively quick rebound from the COVID-19 pandemic globally and domestically, with rising confidence and investment levels. The South African economy's structural problems are worked down quickly and no further credit rating downgrades occur. The rating outlooks eventually become positive, as strong fiscal consolidation sees government debt projections stabilise then fall in the near term. Global risk-on and strong global growth occurs in this scenario. There are no negative impacts from expropriation without compensation on the economy. As at 31 March 2020 the scenario weighting was 4%, but on 31 March 2021 was revised down to 2% as the economy saw a much weaker performance than was initially envisioned over 2020 causing its recovery to come off a much lower base and so is expected to take longer to occur, while economic reforms to quicken growth are still outstanding.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

The extreme up case is a scenario which is an acceleration of the up case, where the COVID-19 pandemic is resolved very rapidly globally and domestically. Very strong global growth and a commodity boom occur while domestically, good governance and substantial growth-creating reforms see very strong, sustained economic growth. Very strong fiscal consolidation also occurs and sees government debt drop to low ratios of the 2000s. A high level of business confidence and fixed investment growth ensues, with substantial foreign direct investment inflows as property rights are strengthened and no nationalisation occurs. Domestic economic growth of 3–5%, then 5–7%, is achieved under this scenario and credit rating upgrades occur. This scenario retains a weighting of 1% as the exact domestic characterisations currently retain a very low probability.

The graph below depicts the forecast South African GDP growth under the macro-economic scenarios applied at 31 March 2021.



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

Macro-economic scenarios

	At 31 March 2021 average 2021 – 2026					At 31 March 2020 average 2020 – 2025				
Macro-economic scenarios	**Extreme up case %**	**Up case %**	**Base case %**	**Lite down case %**	**Severe down case %**	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
GDP growth	5.5	4.4	2.7	1.8	(0.5)	3.7	2.6	0.8	0.2	(0.5)
Repo rate	3.5	3.8	4.7	5.0	5.6	4.8	5.1	5.8	6.0	7.6
Bond yield	9.2	9.5	10.4	11.1	11.9	9.1	9.4	9.9	10.5	11.8
Residential property price growth	7.1	6.3	5.3	4.1	2.6	7.4	4.1	2.6	1.9	0.2
Commercial property prices growth	3.6	2.1	0.6	(1.0)	(2.7)	4.1	2.0	0.1	(1.8)	(4.3)
Exchange rates (South African Rand:US Dollar)	12.0	13.6	15.8	17.7	18.4	9.7	11.7	14.8	16.9	18.2
Scenario weightings	**1**	**2**	**48**	**44**	**5**	**1**	**4**	**43**	**42**	**10**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 31 March 2021.

	Financial years				
Base case %	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**
GDP growth	4.5	1.1	2.4	2.4	2.9
Repo rate	3.6	4.5	5	5.1	5.4
Bond yield	10.3	10.3	10.3	10.7	10.7
Residential property price growth	4.6	5.1	5.3	5.5	5.9
Commercial property price growth	(1.4)	0.5	0.9	1.3	1.7
Exchange rate (South African Rand:US Dollar)	15.4	15.7	15.8	16.1	16.3

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CONTINUED

57. Risk Management (continued)

Market risk

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 team has 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 and approved by 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 IBL ERC for review and approval. The appropriateness of limits is continually re-assessed, with limits reviewed at least annually, or in the event of a significant market event or at the discretion of senior management.

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.

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 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 it is the worst case loss in the VaR distribution.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

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

95% one-day VaR R'million	31 March 2021				31 March 2020			
	Year end	Average	High	Low	**Year end**	Average	High	Low
Commodities	0.4	0.2	0.7	—	0.1	0.1	0.3	—
Equities	4.7	5.3	9.8	3.3	4.7	4.1	8.7	3.0
Foreign exchange	0.3	0.8	8.4	0.1	1.3	2.2	6.5	0.7
Interest rates	1.8	3.9	7.7	1.8	2.9	2.3	5.4	0.8
Consolidated*	**5.1**	**7.2**	**12.8**	**4.4**	**6.5**	**5.1**	**9.5**	**3.2**

* The consolidated VaR for each desk 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.

95% one-day ES R'million	31 March 2021 Year end	31 March 2020 Year end
Commodities	0.9	0.1
Equities	7.4	7.3
Foreign exchange	0.5	1.6
Interest rates	4.4	5.9
Consolidated*	**8.7**	**10.0**

* 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 2021 Year end	31 March 2020 Year end
99% one-day sVaR	**12.2**	21.1

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 the 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 follows 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 this graph, we can gauge the accuracy of the VaR figures i.e. 99% of the time, losses are not expected to exceed the 99% one-day VaR.

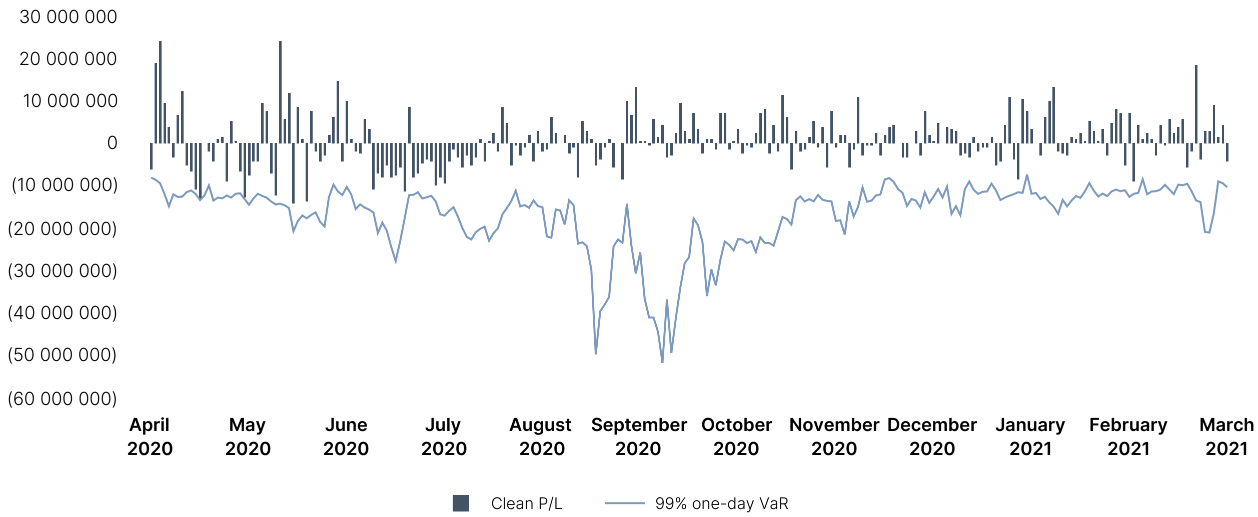
The average VaR for the year ended 31 March 2021 in the trading book was higher than for the year ended 31 March 2020 due to increased market volatility throughout the year. Using clean profit and loss data for backtesting resulted in no exceptions over the year (as shown in the graph below), which is below the expected number of exceptions of two to three exceptions per annum that a 99% VaR model implies.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

57. Risk Management (continued)

99% one-day VaR backtesting

Rand



Stress testing

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

	31 March 2021				31 March 2020			
99% EVT R'million	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Commodities	5.0	2.3	8.3	0.2	0.6	0.5	1.8	0.1
Equities	24.8	44.0	85.6	14.8	29.2	16.8	70.7	6.7
Foreign exchange	2.0	3.5	11.7	1.0	3.4	6.3	15.5	2.1
Interest rates	22.8	26.1	84.9	6.4	25.8	8.3	32.7	2.1
Consolidated#	**27.4**	49.4	89.7	16.4	**37.4**	**18.7**	**76.7**	**7.5**

The consolidated stress testing for each desk 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 the majority of the 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.

Market risk – derivatives

The bank enters into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, interest rates, commodity, equity and credit 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 101 and 102.

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.

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57. Risk Management (continued)

Interest rate risk - IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the group has established a project team to manage the transition of all contracts that could be affected. The project is being led by senior representatives from functions across the group including the client facing teams, Treasury, legal, finance, operations, risk and technology. The project team provides regular progress updates to the board and IBL BRCC. The group has in place detailed plans, processes and procedures to support the transition in line with both the milestones set by the IBOR working groups in each jurisdiction and the timelines set out in the pre-cessation announcement of the IBOR benchmarks by the FCA in March 2021.

During the financial year, the group has already successfully transitioned a portion of new business away from referencing IBOR to referencing alternative rates. Following the progress made to date, the group is confident that it has the operational capability to complete the transition to risk-free or other alternative rates. For other benchmark interest rates such as EURIBOR that have been reformed and can therefore continue, financial instruments referencing those rates will not need to transition.

IBOR reform exposes the group to various risks, which the project is managing and monitoring closely.

These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Business risk to the group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to risk-free rates.

The tables that follow summarise the significant exposures impacted by interest rate benchmark reform as at 31 March 2021.

	GBP IBOR - no. of trades	GBP - Notional value (R'million)	Other IBOR - no. of trades	Other - Notional value (R'million)
Pre-2022 dated instruments				
Derivatives	26	8 158	109	31 291
Other debt securities	—	—	1	111
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	18	2 637
Loans and advances to banks	—	—	2	519
Loans and advances to customers	33	1 556	118	9 570
Of which undrawn	4	177	12	1 388
Customers accounts (deposits)	427	1 269	2 451	12 898
Post-2022 dated instruments				
Derivatives	45	8 030	399	64 910
Bank debt securities	—	—	17	496
Other debt securities	2	931	4	2 256
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	11	2 266
Loans and advances to customers	154	7 396	162	11 728
Of which undrawn	7	1 608	13	1 784
Customers accounts (deposits)	6	30	89	15 812

In March 2021, the ICE Benchmark Administration (the administrator of LIBOR), in conjunction with the UK's Financial Conduct Authority (FCA) announced that it will stop publishing the following LIBOR settings based on submissions from panel banks, after 31 December 2021: all GBP, EUR, CHF and JPY LIBOR settings and the one-week and two-month USD LIBOR settings. All remaining USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) will cease to be published based on panel bank submissions after 30 June 2023.

ADDITIONAL RISK INFORMATION

57. Risk Management (continued)

Investment risk

Investment risk in the banking book comprised 2.0% of total assets at 31 March 2021. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the bank.

We partner with management and other co-investors by bringing capital raising expertise, working capital management, merger and acquisition and investment experience into client-driven private equity transactions as well as leveraging third party capital into funds that are relevant to the group's client base. 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
- 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.

IBL holds a 47.4% stake in the IEP Group 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.

Additionally, from time to time, the manner in which certain lending transactions are structured results in equity, warrants or profit shares being held, predominantly in unlisted companies. We also source development, investment and trading opportunities to create value 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 analyses are performed and reported to IBL BRCC. The portfolios are mainly made up of South African assets and industry concentration risk is well spread.

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

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 2021	Valuation change stress test 31 March 2021*	On-balance sheet value of investments 31 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments**	2 779	417	3 424	514
Listed equities	2 144	536	2 377	594
Investment and trading properties	146	29	31	6
The IEP Group	5 117	768	5 611	842
Total	**10 186**	**1 749**	**11 443**	**1 956**

** Includes the fair value loans investments of R877 million (31 March 2020: R1.1 billion).
* In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied:

Stress test values applied	
Unlisted investments and the IEP Group	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%

Stress testing summary

Based on the information at 31 March 2021, as reflected above, we could have a R1.7 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.

Capital requirements

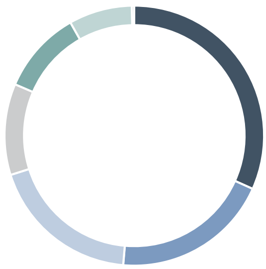
In terms of Basel III capital requirements for the bank, unlisted and listed equities within the banking book are represented under the category of equity risk and investment properties, and profit shares and embedded derivatives are considered in the calculation of capital required for credit risk.

Refer to the Pillar III annual disclosure report on our website.

An analysis of the investment portfolio and the IEP Group by industry (excluding investment and trading properties)

31 March 2021

R10 040 million



Manufacturing and Commerce	31.7%
Real estate	19.7%
Finance and Insurance	18.8%
Mining and resources	11.3%
Other	10.4%
Communication	7.9%
Electricity, gas and water (utility services)	0.3%

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

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 purposes, which largely focuses on those securitisations in which the bank has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a full picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the bank's credit and counterparty exposure information.

Refer to page 149 for the balance sheet and credit risk classification

In line with the regulations, the bank applies a combination of the advanced and 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. We do 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 in South Africa. 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 R8.2 billion at 31 March 2021 (31 March 2020: R7.2 billion) and consist mainly of residential mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.2 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.3 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R0.6 billion notes of the original R2.0 billion are still in issue. All notes are held internally
- Fox Street 4: R1.1 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.4 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R0.9 billion notes of the original R1.3 billion are still in issue. R342 million of the notes are held internally
- Fox Street 7: R0.9 billion notes of the original R1.1 billion are still in issue. R7 million of the notes are held internally.
- Grayston Drive Autos: R2.4 billion notes of the original R2.4 billion are still in issue. R325 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 R0.8 billion (31 March 2020: R1.0 billion), rated UK mortgage backed securities (RMBS) totalling R0.4 billion at 31 March 2021 (31 March 2020: R0.8 billion), unrated South African RMBS totalling R1.2 billion at 31 March 2021 (31 March 2020: R1.6 billion) and unrated South African auto loans totalling R75 million at 31 March 2021 (31 March 2020: R241 million).

Risk Management

All existing or proposed exposures to a securitisation are analysed on a case-by-case basis, with approval required from credit. 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 and risk-weightings 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.

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

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' totalling R8.2 billion at 31 March 2021 (31 March 2020: R7.2 billion).

Securitisation/structured credit activities exposures

Nature of exposure/activity	**Exposure 31 March 2021 R'million**	Exposure 31 March 2020 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	2 505	3 413	Other debt securities	
<40% RWA	2 430	3 172		
>40% RWA	75	241		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	139	175	Other loans and advances	
Private Client division assets which have been securitised (net exposure)	8 183	7 192	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans

Analysis of gross structured credit exposure

R'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	**Total**
US Corporate loans	—	812	—	—	—	—	812	—	812
UK RMBS	—	434	—	—	—	—	434	—	434
South African RMBS	—	—	—	—	—	—	—	1 184	1 184
South African auto loans	—	—	—	—	—	—	—	75	75
Total at 31 March 2021	**—**	**1 246**	**—**	**—**	**—**	**—**	**1 246**	**1 259**	**2 505**
<40% RWA	—	1 246	—	—	—	—	1 246	1 184	2 430
>40% RWA	—	—	—	—	—	—	—	75	75
Total at 31 March 2020	**—**	**1 754**	**—**	**—**	**—**	**—**	**1 754**	**1 659**	**3 413**

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

Balance sheet risk management

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.

Liquidity risk

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 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 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 group's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage Ratio (LCR)
  - 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 group’s balance sheet
- Contractual run-off based actual cash flows with no modelling adjustments
- Additional internally defined funding and balance sheet ratios
- 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 environment and input from business units. The objective is to analyse the possible impact of an economic event on the group’s balance sheet, 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 tests ‘tail risks’ that can be missed in normal stress tests. The group has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the group’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 threatens the group'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.

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of funded 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 in line with our risk appetite.

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 as part of a diversified funding mix.

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 group'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.

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.

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:

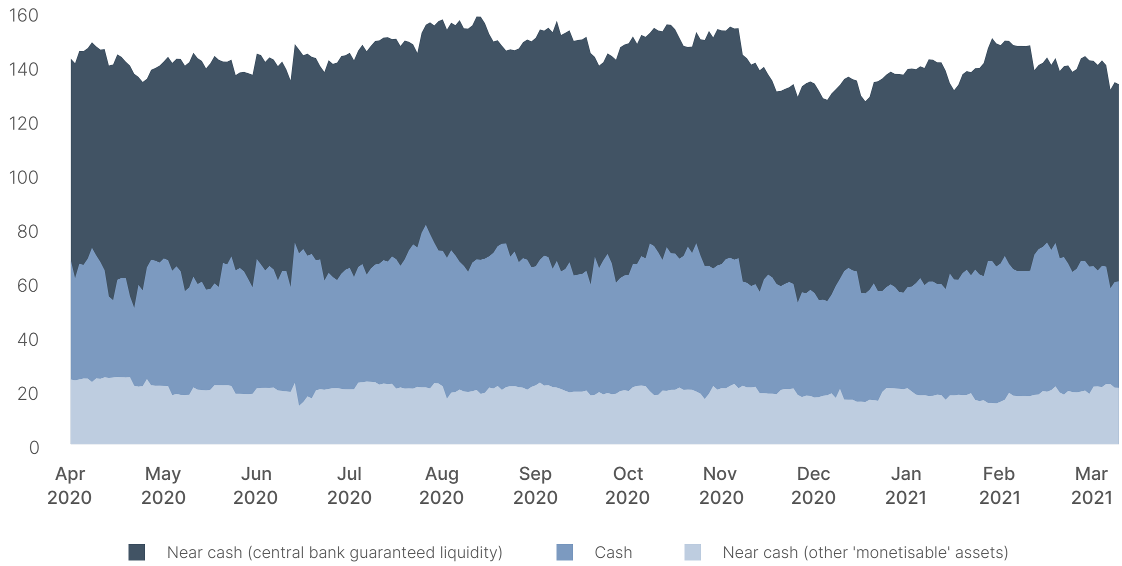
- Details on the required daily monitoring of the liquidity position
- Description of the early warning indicators to be monitored, and process of escalation if required
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios)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

The plans have been tested within our core jurisdictions via externally facilitated liquidity crisis simulation exercises which assess the bank's sustainability and ability to adequately contain a liquidity stress.

ADDITIONAL RISK INFORMATION
CONTINUED

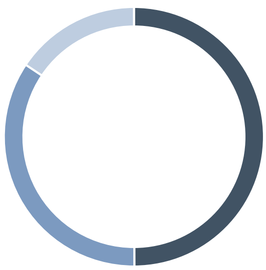
57. Risk Management (continued)

Cash and near cash trend
R'billion



An analysis of cash and near cash at 31 March 2021

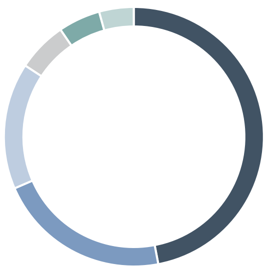
R129.8 billion



Central Bank cash placements and guaranteed liquidity	52.7%
Cash	31.1%
Near cash (other 'monetisable' assets)	16.2%

Bank and non-bank depositor concentration by type at 31 March 2021

R391.5 billion



Non-bank financials	47.0%
Individuals	21.5%
Non-financial corporates	15.8%
Public sector	6.2%
Small business	5.2%
Banks	4.3%

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

Liquidity mismatch

The tables that follow show the liquidity mismatch across our business.

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 table below, 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'
  - 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 2021

R'million	Demand	Up to one month	One to three month	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	28 981	3 100	1 480	—	—	—	—	33 561
Cash and short-term funds – non-banks	7 151	2	—	—	184	1 103	516	8 956
Investment/trading assets and statutory liquids	33 741	34 924	11 020	6 794	6 482	25 499	32 917	151 377
Securitised assets	578	—	—	—	—	4 092	4 092	8 762
Advances	4 563	5 111	8 295	11 094	21 014	114 008	111 910	275 995
Other assets	18 668	4 964	8 501	11 833	313	(982)	(14 428)	28 869
Assets	**93 682**	**48 101**	**29 296**	**29 721**	**27 993**	**143 720**	**135 007**	**507 520**
Deposits – banks	(624)	9 740	(54)	(191)	(3 149)	(22 866)	—	(17 144)
Deposits – non-banks	(167 693)	(21 856)	(79 585)	(25 340)	(36 707)	(40 334)	(2 854)	(374 369)
Negotiable paper	—	(281)	(6)	(262)	(593)	(812)	(172)	(2 126)
Securitised liabilities	—	—	—	—	—	(1 830)	(1 441)	(3 271)
Investment/trading liabilities	(2 178)	(10 185)	(5 887)	(4 474)	(6 012)	(12 275)	(1 981)	(42 992)
Subordinated liabilities	—	—	—	(1 161)	(4 330)	(7 445)	—	(12 936)
Other liabilities	(643)	(430)	(1 498)	(554)	(127)	(493)	(4 392)	(8 137)
Liabilities	**(171 138)**	**(23 012)**	**(87 030)**	**(31 982)**	**(50 918)**	**(86 055)**	**(10 840)**	**(460 975)**
Total equity	—	—	—	—	—	—	(46 545)	(46 545)
Contractual liquidity gap	**(77 456)**	**25 089**	**(57 734)**	**(2 261)**	**(22 925)**	**57 665**	**77 622**	**—**
Cumulative liquidity gap	(77 456)	(52 367)	(110 101)	(112 362)	(135 287)	(77 622)		—

Behavioural liquidity as at 31 March 2021

As discussed above.

R'million	Demand	Up to one month	One to three month	Three to six month	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**75 029**	**11 544**	**(619)**	**12 379**	**(8 214)**	**(183 156)**	**93 037**	**—**
Cumulative	75 029	86 573	85 954	98 333	90 119	(93 037)	—	

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

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 effect 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 net present value (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 group'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:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- 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 assess the risk beyond the earnings horizon.

Each banking 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 banking 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's 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 group 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.

ADDITIONAL RISK INFORMATION
CONTINUED

57. Risk Management (continued)

Interest rate sensitivity gap at 31 March 2021

The table below shows our non-trading interest rate mismatch. 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	22 889	—	—	—	—	8 914	31 803
Cash and short-term funds – non-banks	8 753	—	180	—	—	—	8 933
Investment/trading assets and statutory liquids	52 827	8 438	11 444	29 084	8 204	11 817	121 814
Securitised assets	8 762	—	—	—	—	—	8 762
Advances	248 009	2 730	2 047	19 190	502	3 467	275 945
Other assets	18 811	(2 031)	(4 521)	3 431	(447)	10 367	25 610
Assets	**360 051**	**9 137**	**9 150**	**51 705**	**8 259**	**34 565**	**472 867**
Deposits – banks	(17 144)	—	—	—	—	—	(17 144)
Deposits – non-banks	(320 163)	(14 018)	(15 359)	(8 361)	(70)	(16 364)	(374 335)
Negotiable paper	(782)	(255)	(589)	(422)	—	(78)	(2 126)
Securitised liabilities	(3 271)	—	—	—	—	—	(3 271)
Investment/trading liabilities	(1 202)	—	—	(1 316)	—	—	(2 518)
Subordinated liabilities	(8 283)	(190)	(1 903)	(2 560)	—	—	(12 936)
Other liabilities	—	—	—	—	—	(6 283)	(6 283)
Liabilities	**(350 845)**	**(14 463)**	**(17 851)**	**(12 659)**	**(70)**	**(22 725)**	**(418 613)**
Total equity	(868)	—	—	—	—	(45 677)	(46 545)
Balance sheet	**8 338**	**(5 326)**	**(8 701)**	**39 046**	**8 189**	**(33 837)**	**7 709**
Off-balance sheet	27 768	3 158	7 964	(38 775)	(7 824)	—	(7 709)
Repricing gap	**36 106**	**(2 168)**	**(737)**	**271**	**365**	**(33 837)**	**—**
Cumulative repricing gap	36 106	33 938	33 201	33 472	33 837	—	

Economic value sensitivity at 31 March 2021

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 would only have a negligible 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	(47.8)	0.7	(0.1)	0.5	—	—	(26.0)
200bps up	14.4	(1.8)	(0.3)	(1.1)	(0.1)	(6.5)	(53.2)

GLOSSARY

The following abbreviations have been used throughout this report:

AGM	Annual general meeting
ADR	Forum Arrears, Recovery and Default Forum
AIRB	Advanced Internal Ratings-Based
AML	Anti-money laundering
AUM	Assets under management
BASA	Banking Association of South Africa
BCBS	Basel Committee of Banking Supervision
BRCC	Board Risk and Capital Committee
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CAM	Combined Assurance Matrix
CCB	Capital conservation buffer
CCR	Counterparty credit risk
CCyB	Countercyclical capital buffer
CDS	Credit default swap
CEM	Current exposure method
CE	Chief Executive
CET1	Common equity tier 1
CFO	Chief Financial Officer
CFT	Combating the financing of terrorism
CLR	Credit Loss Ratio
COO	Chief Operating Officer
COVID	Corona Virus Disease
CRO	Chief Risk Officer
CVA	Credit valuation adjustment
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC SEC	DLC Social and Ethics Committee
D-SIB	Domestic systemically important bank
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
EQAR	Engagement Quality Assurance Review
ESG	Environmental, social and governance
FIRB	Foundation Internal Ratings-Based
FRC	Financial Regulatory Council
FSLAB	Financial Sector Laws Amendment Bill
FSR Act	Financial Sector Regulation Act 9 of 2017
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GISD	UN Global Investment for Sustainable Development
GERC	Group Executive Risk Committee
HLA	Higher loss-absorbency
HNW	High net worth
IAM	Investec Asset Management
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBL ERC	IBL Executive Risk Committee
IBL Review ERRF	IBL Review Executive Risk Review Forum
IBM	Investec Bank Mauritius
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Individual capital requirement
IEP	IEP Group
IFB	Investec for Business
IFC	International Finance Corporation
IFRIC	International Financial Reporting Committee
IFRS	International Financial Reporting Standard
IP	Investec Property
IPF	Investec Property Fund
IRB	Internal Ratings-Based
IRBA	International Regulatory Board for Auditors
IRRBB	Interest Rate Risk in the Banking Book
IW&I	Investec Wealth & Investment
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LHS	Left hand side
LSE	London Stock Exchange
MAFR	Mandatory Audit Firm Rotation
NSFR	Net stable funding ratio
NAV	Net asset value
NACQ	Nominal annual compounded quarterly in arrears
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
PCCC	Prudential conduct and controls committee
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RWA	Risk-weighted asset
SA-CCR	Standardised Approach to Counterparty Credit Risk
SDGs	Sustainable Development Goals
SIFI	Systemically important financial institution
SOE	State-owned Enterprise
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
TAS	Targeted Attack Simulation
TCFD	Task Force on Climate-related Financial Disclosures
VaR	Value at Risk
WACC	Weighted average cost of capital

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