INTERIM REPORT | 2019

Investec Bank Limited
Salient financial information
for the six months ended 30 September 2019

Investec

Corporate information

Secretary and registered office

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Sandown Sandton 2196
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Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107
Telephone (+27) 11 370 5000

Directorate

Executive directors
Richard J Wainwright (Chief executive officer)
Stuart C Spencer
Fani Titi

Non-executive directors
Khumo L Shuenyane (Chairman)
David M Lawrence (Deputy chairman)
Zarina BM Bassa
David Friedland
Philip A Hourquebie
Peter RS Thomas

For queries regarding information in this document

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CONTENTS

OVERVIEW OF THE INVESTEC GROUP'S AND INVESTEC BANK LIMITED'S ORGANISATIONAL STRUCTURE

Operating structure

Investec Bank Limited is the main banking subsidiary of Investec Limited

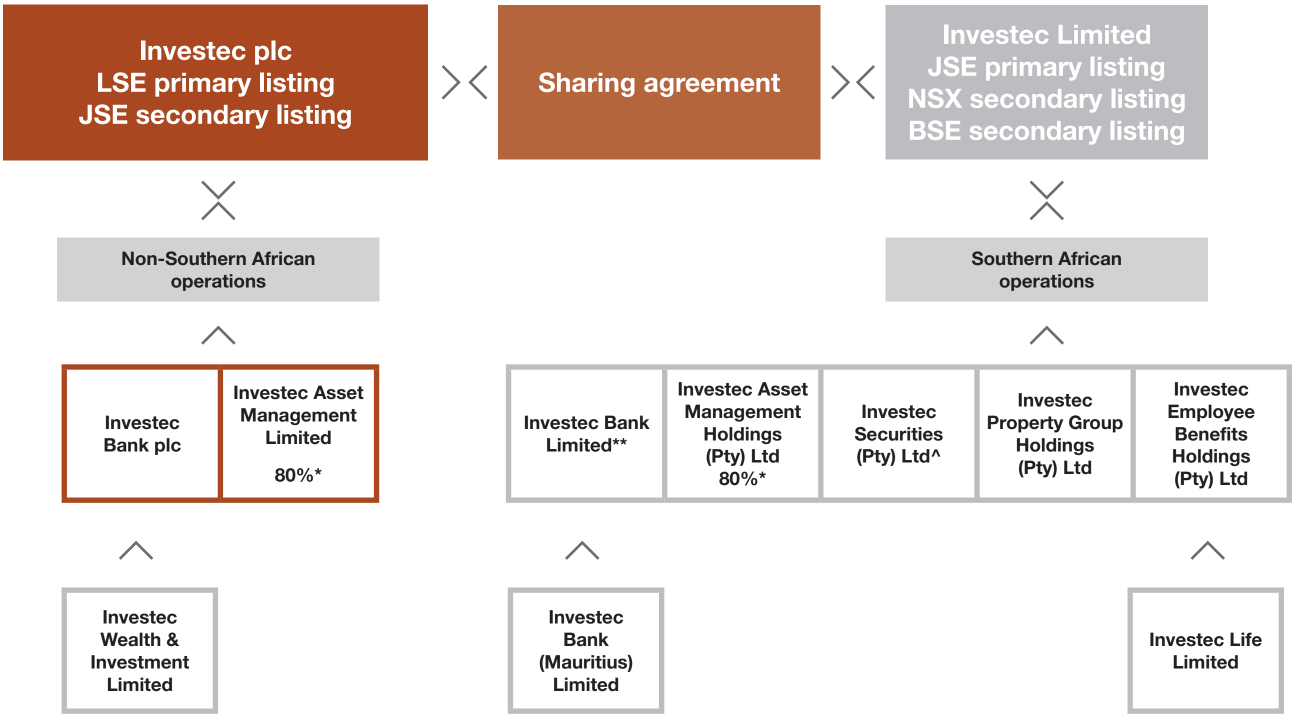
During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of the DLC structure, Investec Limited is the holding company of our businesses in Southern Africa and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) (since 1986) and Investec plc is listed on the LSE (since 2002).

All references in this report to the bank, IBL or the group relate to Investec Bank Limited, whereas references to Investec group or DLC relate to the combined DLC group comprising Investec plc and Investec Limited.

www ***A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.***

Our DLC structure and main operating subsidiaries at 30 September 2019



All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

* *Senior management in the company holds 20% minus one share (31 March 2019: 20% minus one share)*
** *JSE listed preference shares in issue*
^ *Houses the Wealth & Investment business*

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec group operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

Specialist Banking

Our specialist teams are well positioned to provide services for both personal and business needs across Corporate and Institutional Banking, Private Banking, Investec for Business, and Investment Banking and Principal Investments.

Each business provides specialised products and services to defined target markets

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 Banking	*Corporate and Institutional Banking*	*Investec for Business*	*Investment Banking and Principal Investments*
– Transactional banking – Lending – Property finance – Savings	– Specialised Lending – Treasury and trading solutions – Institutional research, sales and trading	– Import and trade finance borrowing – Cash flow lending – Asset finance	– Principal investments – Advisory – Debt and Equity Capital Markets
Our Private Banking business positions itself as an 'investment bank for private clients', offering both credit and equity services to our select clientele. Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes high net worth individuals, entrepreneurs, high-income professionals, owner managers in mid-market companies and sophisticated investors.	Our Corporate and Institutional Banking business is a client-centric solution-driven offering concentrating on specialised lending and debt origination activities, and treasury and trading solutions. Our target market includes mid to large size corporates, intermediaries, institutions and government bodies.	Investec for Business (IFB) offers a holistic solution to mid-market corporate clients by combining bespoke lending with Investec's other transactional, advisory and investment offerings. Established to fulfil part of Investec's growth strategy by developing an integrated niche offering to the mid-market.	Our Principal Investment business focuses on co-investment alongside clients to fund investment opportunities or leverage third party capital into funds that are relevant to our client base. We are a leading Corporate Finance house with an international presence, providing advice to clients across sectors.

Natural linkages between the private client and corporate business

OUR OPERATIONAL FOOTPRINT

Where we operate

South Africa

Strong brand and positioning

Fifth largest bank by assets

Leading position in corporate, institutional and private client banking activities

Mauritius

Established 1997

Focused on corporate, institutional and private client banking activities

Our value proposition

- High-quality specialist banking solutions to corporate and private clients with leading positions in selected areas
- High-touch personalised service – ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

Specialist expertise delivered with dedication and energy

Chief executive officer: Richard Wainwright

Unless the context indicates otherwise, all comparatives referred to in the commentary below relate to the six months ended 30 September 2018.

Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 18.6% to R2 418 million (2018: R2 038 million).

The balance sheet remains sound with a total capital adequacy ratio of 17.8% (31 March 2019: 15.8%). Investec Bank Limited adopted the Foundation Internal Ratings Based (FIRB) measurement of credit capital, resulting in a 2.2% uplift to the total capital adequacy ratio to 17.7% effective 1 April 2019.

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

Key financial statistics	**30 Sept 2019**	30 Sept 2018	% change	31 March 2019
Total operating income before expected credit loss impairment charges (R'million)	6 442	6 149	4.8%	12 650
Operating costs (R'million)	3 267	3 217	1.6%	6 547
Operating profit before goodwill and acquired intangibles (R'million)	2 904	2 556	13.6%	5 381
Headline earnings attributable to ordinary shareholders (R'million)	2 418	2 038	18.6%	4 784
Cost to income ratio*	50.7%	52.3%		51.7%
Total capital resources (including subordinated liabilities) (R'million)	56 539	52 412	7.9%	55 678
Total equity (R'million)	43 944	39 659	10.8%	41 760
Total assets (R'million)	482 801	448 305	7.7%	475 603
Net core loans and advances (R'million)	271 836	259 147	4.9%	269 404
Customer accounts (deposits) (R'million)	349 216	331 732	5.3%	341 710
Loans and advances to customers as a % of customer accounts (deposits)	75.8%	75.6%		76.6%
Cash and near cash balances (R'million)	119 979	110 827	8.3%	118 365
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	10.5x	10.9x		11.0x
Total capital adequacy ratio	17.8%	15.2%		15.8%
Tier 1 ratio	13.3%	11.2%		11.5%
Common equity tier 1 ratio	13.0%	10.9%		11.2%
Leverage ratio – current	7.8%	7.7%		7.7%
Leverage ratio – 'fully loaded'	7.7%	7.5%		7.6%
Stage 3 as a % of gross core loans and advances subject to ECL	1.3%	1.5%		1.3%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.8%	0.8%		0.7%
Credit loss ratio	0.18%**	0.29%**		0.27%

* *The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income (net of operating profits or losses attributable to other non-controlling interests).*

** *Annualised.*

Salient operational features for the period under review include:

Total operating income before expected credit loss impairment charges increased by 4.8% to R6 442 million (2018: R6 149 million). The components of operating income are analysed further below:

- Net interest income increased by 9.0% to R4 382 million (2018: R4 019 million) supported by private client activity and a higher net interest margin
- Net fee and commission income increased 0.5% to R1 081 million (2018: R1 076 million) reflecting reasonable activity levels given the macro-economic backdrop
- Investment income amounted to R503 million (2018: R253 million) reflecting higher income from the listed and unlisted investment portfolio
- Share of post taxation profit of associates of R262 million (2018: R369 million) primarily reflects earnings in relation to the group's investment in the IEP Group
- Total trading income decreased significantly to R214 million (2018: R431 million), as a result of translation gains on foreign currency equity investments recognised in the prior period.

Expected credit loss (ECL) impairment charges amounted to R271 million (2018: R376 million). The annualised credit loss ratio is below its long-term average trend at 0.18% (2018: 0.29%). Stage 3 assets (net of ECL impairment charges) as a percentage of net core loans subject to ECL was 0.8% (31 March 2019: 0.7%).

The cost to income ratio reduced to 50.7% (2018: 52.3%). Operating costs were well contained, increasing 1.6% to R3 267 million (2018: R3 217 million).

As a result of the foregoing factors profit before taxation increased by 13.5% to R2 878 million (2018: R2 536 million). Profit after taxation increased by 17.8% to R2 511 million (2018: R2 132 million).

FINANCIAL REVIEW

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DIRECTORS' RESPONSIBILITY STATEMENT

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet as at 30 September 2019, and the condensed consolidated income statement, consolidated statement of total comprehensive income, consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months then ended, and selected explanatory notes, in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, the South African Institute of Charted Accountants (SAICA) Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act, No 71 of 2008, as amended, of South Africa.

The directors' responsibilities includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these 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 includes 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 the businesses will not be going concerns in the year ahead.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 20 November 2019 and are signed on its behalf by

Khumo Shuenyane
Chairman

Richard Wainwright
Chief executive officer

INDEPENDENT AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2

To the shareholder of Investec Bank Limited

We have reviewed the condensed consolidated interim financial statements of Investec Bank Limited, contained in the accompanying interim report, which comprise the consolidated balance sheet as at 30 September 2019, the condensed consolidated income statement, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months then ended, and selected explanatory notes, as set out on pages 10 to 16, 20 to 24 and page 66.

Directors' responsibility for the condensed consolidated interim financial statements

The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council 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 condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Investec Bank Limited for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director
20 November 2019

KPMG Inc

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Registered Auditor
Director
20 November 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	**Six months to 30 Sept 2019**	Six months to 30 Sept 2018	Year to 31 March 2019
Interest income	17 874	15 936	33 611
Interest expense	(13 492)	(11 917)	(25 324)
Net interest income	**4 382**	**4 019**	**8 287**
Fee and commission income	1 392	1 182	2 662
Fee and commission expense	(311)	(106)	(401)
Investment income	503	253	360
Share of post taxation profit of associates	262	369	1 163
Trading income/(loss) arising from			
– customer flow	225	204	369
– balance sheet management and other trading liabilities	(11)	227	210
Other operating income	–	1	–
Total operating income before expected credit loss impairment charges	**6 442**	**6 149**	**12 650**
Expected credit loss impairment charges	(271)	(376)	(722)
Operating income	**6 171**	**5 773**	**11 928**
Operating costs	(3 267)	(3 217)	(6 547)
Operating profit before goodwill and acquired intangibles	**2 904**	**2 556**	**5 381**
Impairment of goodwill	–	–	(3)
Amortisation of acquired intangibles	(26)	(26)	(51)
Operating profit	**2 878**	**2 530**	**5 327**
Financial impact of acquisition of subsidiary	–	6	10
Profit before taxation	**2 878**	**2 536**	**5 337**
Taxation on operating profit before acquired intangibles	(374)	(411)	(391)
Taxation on acquired intangibles	7	7	14
Profit after taxation	**2 511**	**2 132**	**4 960**
Loss attributable to non-controlling interests	–	–	3
Earnings attributable to shareholders	**2 511**	**2 132**	**4 963**

R'million	Six months to 30 Sept 2019	Six months to 30 Sept 2018	Year to 31 March 2019
Profit after taxation	2 511	2 132	4 960
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	(354)	(20)	63
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	184	(68)	(119)
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(34)	(38)	(89)
Foreign currency adjustments on translating foreign operations	276	779	903
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	(97)	(452)	(461)
Net (loss)/gain attributable to own credit risk	(2)	–	2
Total comprehensive income	**2 484**	**2 333**	**5 259**
Total comprehensive income attributable to ordinary shareholders	2 391	2 245	5 090
Total comprehensive loss attributable to non-controlling interests	–	–	(3)
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	93	88	172
Total comprehensive income	**2 484**	**2 333**	**5 259**

* *These amounts are net of taxation of (R147.6 million) [Six months to 30 September 2018: (R141.3 million); year to 31 March 2019: R472.1 million].*

CONSOLIDATED BALANCE SHEET

At R'million	30 Sept 2019	31 March 2019	30 Sept 2018
Assets			
Cash and balances at central banks	12 290	10 290	9 586
Loans and advances to banks	19 306	19 903	18 458
Non-sovereign and non-bank cash placements	12 683	12 192	10 441
Reverse repurchase agreements and cash collateral on securities borrowed	11 196	18 552	14 033
Sovereign debt securities	71 756	60 893	58 923
Bank debt securities	10 695	12 526	10 358
Other debt securities	14 367	13 553	13 861
Derivative financial instruments	9 805	7 700	9 506
Securities arising from trading activities	2 547	5 059	1 366
Investment portfolio	7 313	7 664	7 890
Loans and advances to customers	264 769	261 737	250 806
Own originated loans and advances to customers securitised	7 067	7 667	8 341
Other loans and advances	262	329	359
Other securitised assets	208	232	250
Interests in associated undertakings	6 535	6 251	6 541
Deferred taxation assets	1 790	1 514	750
Other assets	7 296	8 237	8 429
Property and equipment	3 048	2 563	2 626
Investment properties	1	1	1
Goodwill	171	171	171
Intangible assets	373	418	461
Loans to group companies	19 323	18 151	15 148
	482 801	**475 603**	**448 305**
Liabilities			
Deposits by banks	27 584	30 041	25 801
Derivative financial instruments	14 681	11 097	14 531
Other trading liabilities	3 591	4 468	2 468
Repurchase agreements and cash collateral on securities lent	14 300	15 234	6 500
Customer accounts (deposits)	349 216	341 710	331 732
Debt securities in issue	6 516	6 512	4 131
Liabilities arising on securitisation of own originated loans and advances	1 489	1 720	2 216
Current taxation liabilities	809	542	–
Deferred taxation liabilities	54	78	92
Other liabilities	6 428	6 263	5 272
Loans from group companies	1 594	2 260	3 150
	426 262	**419 925**	**395 893**
Subordinated liabilities	12 595	13 918	12 753
	438 857	**433 843**	**408 646**
Equity			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	1 731	1 790	1 628
Retained income	26 836	24 597	22 764
Shareholders' equity excluding non-controlling interests	**43 484**	**41 304**	**39 309**
Other Additional Tier 1 securities in issue	460	460	350
Non-controlling interests	–	(4)	–
Total equity	**43 944**	**41 760**	**39 659**
Total liabilities and equity	**482 801**	**475 603**	**448 305**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

R'million	30 Sept 2019	30 Sept 2018	31 March 2019
Cash inflow from operations	2 715	2 203	4 197
Increase in operating assets	(4 277)	(3 478)	(23 511)
Increase in operating liabilities	4 804	1 601	26 729
Net cash inflow from operating activities	3 242	326	7 415
Net cash outflow from investing activities	(62)	(309)	(2 589)
Net cash outflow from financing activities	(1 836)	(1 298)	(1 273)
Effects of exchange rate changes on cash and cash equivalents	244	950	1 175
Net increase/(decrease) in cash and cash equivalents	1 588	(331)	4 728
Cash and cash equivalents at the beginning of the year	30 754	26 026	26 026
Cash and cash equivalents at the end of the year	**32 342**	**25 695**	**30 754**

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

R'million	30 Sept 2019	30 Sept 2018	31 March 2019
Net cash outflow of subordinated liabilities	(1 681)	(1 210)	(361)
Dividends paid	(93)	(88)	(1 022)
Issue of other Additional Tier 1 securities	–	–	110
Net cash outflow from financing activities	**(1 774)**	**(1 298)**	**(1 273)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium
At 1 April 2018	**32**	**14 885**
Movement in reserves 1 April 2018 – 30 September 2018		
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	–	–
Total comprehensive income for the period	**–**	**–**
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders	–	–
Transfer from regulatory general risk reserve to retained earnings	–	–
At 30 September 2018	**32**	**14 885**
Movement in reserves 1 October 2018 – 31 March 2019		
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 period	**–**	**–**
Dividends paid to ordinary shareholders	–	–
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Issue of other Additional Tier 1 securities in issue	–	–
Acquisition of subsidiary	–	–
Other equity movements	–	–
At 31 March 2019	**32**	**14 885**
Movement in reserves 1 April 2019 – 30 September 2019		
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 period	**–**	**–**
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Transfer from retained income to non-controlling interests	–	–
Net equity movements of interest in associated undertaking	–	–
Capital contribution to group companies	–	–
Other equity movements	–	–
At 30 September 2019	**32**	**14 885**

Other reserves									
Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
565	**632**	**(995)**	**23**	**1 128**	**20 901**	**37 171**	**350**	**–**	**37 521**
–	–	–	–	–	2 132	2 132	–	–	2 132
–	–	(20)	–	–	–	(20)	–	–	(20)
(68)	–	–	–	–	–	(68)	–	–	(68)
(38)	–	–	–	–	–	(38)	–	–	(38)
–	–	–	–	779	–	779	–	–	779
(452)	–	–	–	–	–	(452)	–	–	(452)
(558)	**–**	**(20)**	**–**	**779**	**2 132**	**2 333**	**–**	**–**	**2 333**
–	–	–	–	–	(88)	(88)	–	–	(88)
–	–	–	–	–	(109)	(109)	–	–	(109)
–	74	–	–	–	(72)	2	–	–	2
7	**706**	**(1 015)**	**23**	**1 907**	**22 764**	**39 309**	**350**	**–**	**39 659**
–	–	–	–	–	2 831	2 831	–	(3)	2 828
–	–	83	–	–	–	83	–	–	83
(51)	–	–	–	–	–	(51)	–	–	(51)
(51)	–	–	–	–	–	(51)	–	–	(51)
–	–	–	–	124	–	124	–	–	124
(9)	–	–	–	–	–	(9)	–	–	(9)
–	–	–	2	–	–	2	–	–	2
(111)	**–**	**83**	**2**	**124**	**2 831**	**2 929**	**–**	**(3)**	**2 926**
–	–	–	–	–	(850)	(850)	–	–	(850)
–	–	–	–	–	(84)	(84)	–	–	(84)
–	–	–	–	–	–	–	110	–	110
–	–	–	–	–	–	–	–	(1)	(1)
–	64	–	–	–	(64)	–	–	–	–
(104)	**770**	**(932)**	**25**	**2 031**	**24 597**	**41 304**	**460**	**(4)**	**41 760**
–	–	–	–	–	2 511	2 511	–	–	2 511
–	–	(354)	–	–	–	(354)	–	–	(354)
184	–	–	–	–	–	184	–	–	184
(34)	–	–	–	–	–	(34)	–	–	(34)
–	–	–	–	276	–	276	–	–	276
(97)	–	–	–	–	–	(97)	–	–	(97)
–	–	–	(2)	–	–	(2)	–	–	(2)
53	**–**	**(354)**	**(2)**	**276**	**2 511**	**2 484**	**–**	**–**	**2 484**
–	–	–	–	–	(93)	(93)	–	–	(93)
–	–	–	–	–	(4)	(4)	–	4	–
–	–	–	–	–	(44)	(44)	–	–	(44)
–	–	–	–	–	(163)	(163)	–	–	(163)
–	(32)	–	–	–	32	–	–	–	–
(51)	**738**	**(1 286)**	**23**	**2 307**	**26 836**	**43 484**	**460**	**–**	**43 944**

Accounting policies and disclosures

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements for the six months ended 30 September 2019 are consistent with those adopted in the financial statements for the year ended 31 March 2019 except as noted below.

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

The implementation and impact of IFRS 16 is included on pages 66. As permitted by IFRS 16, the group has applied a modified retrospective basis and therefore comparative information has not been restated.

The condensed consolidated interim financial statements have been prepared under the supervision of Stuart Spencer, the Investec Bank Limited Financial Director.

Net interest income

For the six months to 30 September R'million	Notes	2019 Balance sheet value	2019 Interest income	2018 Balance sheet value	2018 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	137 926	4 233	121 799	3 565
Net core loans and advances	2	271 836	13 050	259 147	11 625
Private Client		188 768	9 069	177 990	8 006
Corporate, institutional and other clients		83 068	3 981	81 157	3 619
Other debt securities and other loans and advances		14 629	365	14 220	424
Other interest-earning assets	3	19 608	226	18 366	322
Total interest-earning assets		**443 999**	**17 874**	**413 532**	**15 936**

For the six months to 30 September R'million	Notes	2019 Balance sheet value	2019 Interest expense	2018 Balance sheet value	2018 Interest expense
Deposits by banks and other debt related securities	4	48 400	(969)	36 432	(856)
Customer accounts (deposits)		349 216	(11 788)	331 732	(10 430)
Other interest-bearing liabilities	5	3 083	(157)	5 366	(86)
Subordinated liabilities		12 595	(553)	12 753	(545)
Lease liabilities^		613	(25)	–	–
Total interest-bearing liabilities		**413 907**	**(13 492)**	**386 283**	**(11 917)**
Net interest income			**4 382**		**4 019**
Net interest margin			**1.99%**		**1.96%**

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; Investec For Business debtors and loans to group companies.*
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; loans from group companies.*

^ *The group adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest expense on the unwind of lease liabilities. The prior period comparatives have not been restated.*

Net fee and commission income

For the six months to 30 September R'million	2019	2018
Corporate and institutional transactional and advisory services	706	764
Private client transactional fees	686	418
Fee and commission income	1 392	1 182
Fee and commission expense	(311)	(106)
Net fee and commission income	**1 081**	**1 076**
Annuity fees (net of fees payable)	760	820
Deal fees	321	256

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

Investment income

For the six months to 30 September R'million	Listed equities	Unlisted equities	Warrants and profit shares	Investment portfolio	Debt securities (sovereign, bank and other)	Trading properties	Other asset categories	Total
2019								
Realised	27	71	35	133	47	–	(2)	178
Unrealised^	142	(46)	(8)	88	34	–	(21)	101
Dividend income	189	54	–	243	–	–	–	243
Funding and other net related costs	–	(19)	–	(19)	–	–	–	(19)
	358	**60**	**27**	**445**	**81**	**–**	**(23)**	**503**
2018								
Realised	455	55	55	565	55	2	(1)	621
Unrealised^	(639)	(155)	15	(779)	124	–	112	(543)
Dividend income	166	25	–	191	–	–	–	191
Funding and other net related costs	–	(16)	–	(16)	–	–	–	(16)
	(18)	**(91)**	**70**	**(39)**	**179**	**2**	**111**	**253**

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

Calculation of headline earnings

R'million	**Six months to 30 Sept 2019**	Six months to 30 Sept 2018	Year to 31 March 2019
Earnings attributable to shareholders	2 511	2 132	4 963
Dividend paid to perpetual preference shareholders and Additional Tier 1 security holders	(93)	(88)	(172)
Earnings attributable to ordinary shareholders	**2 418**	**2 044**	**4 791**
Headline adjustments, net of taxation^	–	(6)	(7)
Impairment of goodwill	–	–	3
Financial impact of acquisition of subsidiary	–	(6)	(10)
Headline earnings attributable to ordinary shareholders	**2 418**	**2 038**	**4 784**

^ *These amounts are net of taxation of Rnil (Six months to 30 September 2018: Rnil; year to 31 March 2019: Rnil) with no impact on non-controlling interests in the current and prior year.*

Expected credit loss impairment charges

For the six months to 30 September R'million	**2019**	2018
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	233	380
Own originated securitised assets	11	(2)
Core loans and advances	**244**	**378**
Other balance sheet assets	24	1
Off balance sheet commitments and guarantees	3	(3)
	271	**376**

Analysis of financial assets and liabilities by measurement category

At 30 September 2019 R'million	Total instruments at fair value	Financial instruments at amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Assets				
Cash and balances at central banks	–	12 290	–	12 290
Loans and advances to banks	–	19 306	–	19 306
Non-sovereign and non-bank cash placements	891	11 792	–	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	8 046	3 150	–	11 196
Sovereign debt securities	66 392	5 364	–	71 756
Bank debt securities	6 250	4 445	–	10 695
Other debt securities	9 085	5 282	–	14 367
Derivative financial instruments	9 805	–	–	9 805
Securities arising from trading activities	2 547	–	–	2 547
Investment portfolio	7 313	–	–	7 313
Loans and advances to customers	20 562	244 207	–	264 769
Own originated loans and advances to customers securitised	–	7 067	–	7 067
Other loans and advances	–	262	–	262
Other securitised assets	–	208	–	208
Interests in associated undertakings	–	–	6 535	6 535
Deferred taxation assets	–	–	1 790	1 790
Other assets	359	2 536	4 401	7 296
Property and equipment	–	–	3 048	3 048
Investment properties	–	–	1	1
Goodwill	–	–	171	171
Intangible assets	–	–	373	373
Loans to group companies	184	19 139	–	19 323
	131 434	**335 048**	**16 319**	**482 801**
Liabilities				
Deposits by banks	–	27 584	–	27 584
Derivative financial instruments	14 681	–	–	14 681
Other trading liabilities	3 591	–	–	3 591
Repurchase agreements and cash collateral on securities lent	5 879	8 421	–	14 300
Customer accounts (deposits)	45 152	304 064	–	349 216
Debt securities in issue	2 834	3 682	–	6 516
Liabilities arising on securitisation of own originated loans and advances	–	1 489	–	1 489
Current taxation liabilities	–	–	809	809
Deferred taxation liabilities	–	–	54	54
Other liabilities	718	1 907	3 803	6 428
Loans from group companies	–	1 594	–	1 594
	72 855	**348 741**	**4 666**	**426 262**
Subordinated liabilities	–	12 595	–	12 595
	72 855	**361 336**	**4 666**	**438 857**

Financial instruments carried at fair value

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

The different levels are identified as follows:

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

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

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

		Fair value category		
At 30 September 2019 R'million	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	891	5	886	–
Reverse repurchase agreements and cash collateral on securities borrowed	8 046	–	8 046	–
Sovereign debt securities	66 392	66 392	–	–
Bank debt securities	6 250	4 046	2 204	–
Other debt securities	9 085	4 393	4 692	–
Derivative financial instruments	9 805	–	9 805	–
Securities arising from trading activities	2 547	2 086	461	–
Investment portfolio	7 313	3 927	69	3 317
Loans and advances to customers	20 562	–	19 894	668
Other assets	359	359	–	–
Loans to group companies	184	–	184	–
	131 434	**81 208**	**46 241**	**3 985**
Liabilities				
Derivative financial instruments	14 681	–	14 681	–
Other trading liabilities	3 591	438	3 153	–
Repurchase agreements and cash collateral on securities lent	5 879	–	5 879	–
Customer accounts (deposits)	45 152	–	45 152	–
Debt securities in issue	2 834	–	2 834	–
Other liabilities	718	–	718	–
	72 855	**438**	**72 417**	**–**
Net financial assets/(liabilities) at fair value	**58 579**	**80 770**	**(26 176)**	**3 985**

Transfers between level 1 and level 2

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

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Total
Balance at 1 April 2019	**3 219**	**667**	**3 886**
Total losses included in the income statement	(15)	–	(15)
Purchases	332	–	332
Sales	(272)	–	(272)
Issues	92	1	93
Settlements	(75)	–	(75)
Transfers into level 3	34	–	34
Transfers out of level 3	–	–	–
Foreign exchange adjustments	2	–	2
Balance at 30 September 2019	**3 317**	**668**	**3 985**

During the period R33.7 million of level 2 instruments have been transferred into level 3 as a result of inputs to valuation models becoming unobservable in the market.

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

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

For the six months to 30 September 2019 R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Investment (loss)/income	(15)	21	(36)
	(15)	**21**	**(36)**

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

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

					Potential impact on the income statement	
At 30 September 2019	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Investment portfolio	3 317				727	(602)
		Price earnings multiple	EBITDA	*	228	(170)
		Discounted cash flow	Discount rate	(1%)/1%	104	(4)
		Discounted cash flow	Cash flows	(25%)/25%	264	(264)
		Other	Various	**	45	(38)
		Net asset value	Underlying asset value	^	70	(99)
		Discounted cash flow	Precious and industrial metal prices	(10%)/6%	16	(27)
Loans and advances to customers	668				6	(6)
		Price earnings multiple	EBITDA	^	6	(6)
Total	**3 985**				**733**	**(608)**

* The EBITDA and cash flows has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations.
** The valuation sensitivity for the certain equity investments has been assessed by adjusting various inputs such as expected cash flows, discount rates and 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.
^ Underlying asset values are calculated by reference to a tangible asset.

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

Cash flows

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

Underlying asset value

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

Price of property and precious and industrial metals

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

Measurement of financial assets and liabilities at level 2

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

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price	Liquidity adjustment
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
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost where the carrying value is not a reasonable approximation of fair value:

At 30 September 2019 **R'million**	**Carrying amount**	Fair value
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	3 150	3 151
Sovereign debt securities	5 364	5 217
Bank debt securities	4 445	4 554
Other debt securities	5 282	5 325
Loans and advances to customers	244 207	244 152
Liabilities		
Deposits by banks	27 584	28 045
Repurchase agreements and cash collateral on securities lent	8 421	8 388
Customer accounts (deposits)	304 064	306 202
Debt securities in issue	3 682	3 703
Subordinated liabilities	12 595	13 777

3

RISK MANAGEMENT AND CAPITAL INFORMATION

The following risk management and capital section will provide details on the quantitative disclosure required on a semi-annual basis. For additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2019.

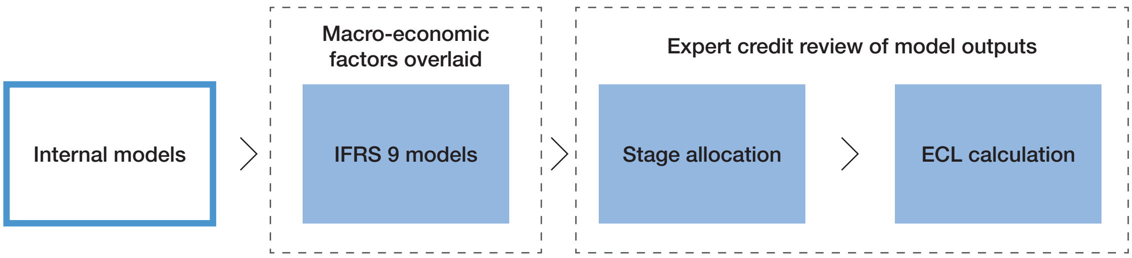
Key drivers of measurement uncertainty – subjective elements and inputs

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are subject to robust governance processes. Key drivers of measurement uncertainty include:

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

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

Process to determine ECL



ECLs are calculated using three main components:

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

Under IFRS 9, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

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

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

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

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

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

Forward-looking macro-economic scenarios

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

Since 31 March 2019 our macro-economic scenarios have been refined to incorporate our updated economic outlooks, in particular, the previously presented extreme down case has been removed as the probability of this declined substantially after President Ramaphosa formally became President of South Africa this year, having previously been acting President. Instead a severe down case scenario was introduced to replace it, characterised by a marked escalation in the trade war. The lite down case replaces the previous down case to reflect a less severe scenario.

For the bank, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two up cases and two down cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers. Management's view of the most likely outcome (base case) is that a sedate pace of global monetary policy normalisation will occur, with a prolonged, severe global risk-off environment through the period avoided.

The base case scenario additionally foresees higher confidence and investment levels with limited negative impact of expropriation without compensation to the economy. The Rand becomes structurally stronger, nearing its purchasing power parity valuation over the five year period. South Africa retains one investment grade (Moody's) rating on its local currency long-term sovereign debt in the year ahead. Global growth persists around its trend growth rate.

The lite down case scenario is one where South Africa is rated sub-investment grade by all three key credit rating agencies. A short V shaped recession occurs, with marked rand weakness after South Africa loses its Moody's investment grade rating. However, modestly strengthening global demand and elevated commodity prices help lessen the longer-term impact of domestic disturbances. A severe global financial market risk-off environment is avoided, with neutral to global risk-on, and the rand eventually recoups some of its losses.

The severe down case has a low probability of occurring. Both the global economy and the South African economy fall into recession, with South Africa experiencing a more severe recession than in the lite down case. In this scenario the global trade war escalates. Domestically, expropriation without compensation has a material negative impact on the economy, with title deeds not being transferred to individuals and wide scale land grabs occurring. South Africa receives a Moody's credit rating downgrade in a predominantly risk-off environment.

The up case encompasses a scenario where South Africa has good governance, growth enhancing reforms in line with global norms (structural constraints are overcome) and greater socio-economic stability. Strong business confidence, fixed investment growth into double digits, substantial foreign direct investment inflows, a strengthening of property rights and fiscal consolidation are also all characterisations of the up case. A strengthening in global growth (US-China trade tensions subside) and in the commodity cycle, as well as a stabilisation of credit ratings, also occur. The extreme up case is a persistence and intensification of the up case, resulting in credit rating upgrades for South Africa.

The table below shows the key factors that form part of the macro-economic scenarios and the relative weightings of these scenarios applied as at 30 September 2019:

Macro-economic scenarios

Average June 2019 – March 2024	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
South Africa					
GDP	4.5	3.5	2.2	1.1	(0.1)
Repo	5.5	6.1	6.8	7.3	10.1
Bond yield	7.9	8.2	9.2	9.5	13.1
Residential property price	13.5	6.0	4.6	3.4	(0.9)
Commercial property prices	5.5	2.2	0.7	(0.6)	(4.1)
Exchange rates	8.2	10.0	13.5	15.0	16.7
Scenario weightings	**1**	**10**	**45**	**35**	**9**

Macro-economic sensitivities

IFRS 9 may result in an increase in the volatility of provisions going forward, particularly for Stage 1 and Stage 2 assets as a result of macro-economic scenario changes. Sensitivities to macro-economic scenarios and factors form part of our overall risk monitoring, in particular the bank's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged.

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.

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

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R516.8 billion at 30 September 2019. Cash and near cash balances amounted to R120.0 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 96% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	30 Sept 2019	31 March 2019
Cash and balances at central banks	11 997	10 062
Loans and advances to banks	19 308	19 904
Non-sovereign and non-bank cash placements	12 704	12 208
Reverse repurchase agreements and cash collateral on securities borrowed	11 196	18 552
Sovereign debt securities	71 760	60 898
Bank debt securities	10 699	12 529
Other debt securities	14 373	13 559
Derivative financial instruments	7 077	5 521
Securities arising from trading activities	2 351	4 840
Loans and advances to customers	267 465	264 397
Own originated loans and advances to customers securitised	7 089	7 677
Other loans and advances	287	355
Other assets	179	2 822
Total on-balance sheet exposures	**436 485**	**433 324**
Guarantees	13 868	11 955
Committed facilities related to loans and advances to customers	58 576	55 970
Contingent liabilities, letters of credit and other	7 898	7 740
Total off-balance sheet exposures	**80 342**	**75 665**
Total gross credit and counterparty exposures	**516 827**	**508 989**

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 30 September 2019 R'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	11 997	–	11 997	(9)	302	12 290
Loans and advances to banks	19 308	–	19 308	(2)	–	19 306
Non-sovereign and non-bank cash placements	12 704	891	11 813	(21)	–	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	11 196	8 046	3 150	–	–	11 196
Sovereign debt securities	71 760	7 090	64 670	(31)	–	71 729
Bank debt securities	10 699	279	10 420	(7)	–	10 692
Other debt securities	14 373	2 445	11 928	(12)	–	14 361
Derivative financial instruments	7 077	7 077	–	–	2 728	9 805
Securities arising from trading activities	2 351	2 351	–	–	196	2 547
Investment portfolio	–	–	–	–	7 313 #	7 313
Loans and advances to customers	267 465	20 603	246 862	(2 696)	–	264 769
Own originated loans and advances to customers securitised	7 089	–	7 089	(22)	–	7 067
Other loans and advances	287	–	287	(25)	–	262
Other securitised assets	–	–	–	–	208 ^^	208
Interest in associated undertakings	–	–	–	–	6 535	6 535
Deferred taxation assets	–	–	–	–	1 790	1 790
Other assets	179	–	179	(1)	7 118 **	7 296
Property and equipment	–	–	–	–	3 048	3 048
Investment properties	–	–	–	–	1	1
Goodwill	–	–	–	–	171	171
Intangible assets	–	–	–	–	373	373
Loans to group companies	–	–	–	–	19 323	19 323
Total on-balance sheet exposures	**436 485**	**48 782**	**387 703**	**(2 826)**	**49 106**	**482 765**
Guarantees	13 868	–	13 868	(6)	956	14 818
Committed facilities related to loans and advances to customers	58 576	112	58 464	(36)	–	58 540
Contingent liabilities, letters of credit and other	7 898	3 378	4 520	–	14 744	22 642
Total off-balance sheet exposures	**80 342**	**3 490**	**76 852**	**(42)**	**15 700**	**96 000**
Total exposures	**516 827**	**52 272**	**464 555**	**(2 868)**	**64 806**	**578 765**

^ *ECLs include R36 million 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.*

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

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

^ *ECLs include R27 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within 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.*

Gross credit and counterparty exposures by residual contractual maturity

At 30 September 2019 R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	11 997	–	–	–	–	–	11 997
Loans and advances to banks	19 239	–	1	49	19	–	19 308
Non-sovereign and non-bank cash placements	12 704	–	–	–	–	–	12 704
Reverse repurchase agreements and cash collateral on securities borrowed	9 080	83	546	404	1 083	–	11 196
Sovereign debt securities	12 107	14 777	13 241	9 124	15 177	7 334	71 760
Bank debt securities	175	205	593	3 729	5 954	43	10 699
Other debt securities	190	675	582	9 074	2 713	1 139	14 373
Derivative financial instruments	2 823	1 347	943	1 659	277	28	7 077
Securities arising from trading activities	82	121	350	148	57	1 593	2 351
Loans and advances to customers	32 157	13 026	25 830	144 996	32 083	19 373	267 465
Own originated loans and advances to customers securitised	–	5	8	108	1 190	5 778	7 089
Other loans and advances	–	–	287	–	–	–	287
Other assets	179	–	–	–	–	–	179
Total on-balance sheet exposures	**100 733**	**30 239**	**42 381**	**169 291**	**58 553**	**35 288**	**436 485**
Guarantees	1 757	466	4 260	5 589	1 133	663	13 868
Committed facilities related to loans and advances to customers	16 845	936	2 393	14 573	3 401	20 428	58 576
Contingent liabilities, letters of credit and other	526	151	1 188	4 164	745	1 124	7 898
Total off-balance sheet exposures	**19 128**	**1 553**	**7 841**	**24 326**	**5 279**	**22 215**	**80 342**
Total gross credit and counterparty exposures	**119 861**	**31 792**	**50 222**	**193 617**	**63 832**	**57 503**	**516 827**

Detailed analysis of gross credit and counterparty exposures by industry

At 30 September 2019 R'million	High net worth and other professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	11 997	–	–
Loans and advances to banks	–	–	–	–	–	–	19 308
Non-sovereign and non-bank cash placements	–	–	1 386	–	48	454	2 570
Reverse repurchase agreements and cash collateral on securities borrowed	64	–	–	–	12	44	10 087
Sovereign debt securities	–	–	–	–	71 760	–	–
Bank debt securities	–	–	–	–	–	–	10 699
Other debt securities	–	–	–	2 533	–	656	6 031
Derivative financial instruments	–	–	89	554	295	111	4 726
Securities arising from trading activities	–	–	–	80	1 708	–	109
Loans and advances to customers	133 970	49 395	2 610	6 841	3 888	8 964	19 351
Own originated loans and advances to customers securitised	7 089	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	69
Total on-balance sheet exposures	**141 123**	**49 395**	**4 085**	**10 008**	**89 708**	**10 229**	**72 950**
Guarantees	3 868	2 298	47	1 749	–	112	1 357
Committed facilities related to loans and advances to customers	38 277	5 098	823	374	505	1 666	3 004
Contingent liabilities, letters of credit and other	2 617	1 753	28	455	1 213	24	140
Total off-balance sheet exposures	**44 762**	**9 149**	**898**	**2 578**	**1 718**	**1 802**	**4 501**
Total gross credit and counterparty exposures	**185 885**	**58 544**	**4 983**	**12 586**	**91 426**	**12 031**	**77 451**

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	11 997
–	–	–	–	–	–	–	–	–	19 308
2 219	2 669	346	495	–	569	30	763	1 155	12 704
–	6	–	188	–	34	–	761	–	11 196
–	–	–	–	–	–	–	–	–	71 760
–	–	–	–	–	–	–	–	–	10 699
15	1 461	–	1 166	–	–	–	910	1 601	14 373
6	97	–	517	–	589	50	12	31	7 077
–	250	–	–	–	–	–	78	126	2 351
5 364	7 667	792	8 841	–	2 887	2 555	6 989	7 351	267 465
–	–	–	–	–	–	–	–	–	7 089
–	67	–	–	220	–	–	–	–	287
100	7	1	–	–	–	1	1	–	179
7 704	**12 224**	**1 139**	**11 207**	**220**	**4 079**	**2 636**	**9 514**	**10 264**	**436 485**
1 354	1 691	137	67	–	572	314	93	209	13 868
302	1 380	178	567	26	2 339	194	1 671	2 172	58 576
31	9	–	–	–	414	–	–	1 214	7 898
1 687	**3 080**	**315**	**634**	**26**	**3 325**	**508**	**1 764**	**3 595**	**80 342**
9 391	**15 304**	**1 454**	**11 841**	**246**	**7 404**	**3 144**	**11 278**	**13 859**	**516 827**

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

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

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

The tables that follow provide information on gross core loans and advances.

Composition of core loans and advances

The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans and advances.

R'million	30 Sept 2019	31 March 2019
Loans and advances to customers per the balance sheet	264 769	261 737
Add: own originated loans and advances to customers per the balance sheet	7 067	7 667
Net core loans and advances	**271 836**	**269 404**
*of which subject to ECL**	269 869	267 452
Net core loans and advances at amortised cost	251 274	253 396
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	18 595	14 056
of which FVPL (excluding fixed rate loans above)	1 967	1 952
Add: ECL	2 718	2 670
Gross core loans and advances	**274 554**	**272 074**
*of which subject to ECL**	272 587	270 122
of which FVPL (excluding fixed rate loans above)	1 967	1 952

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost. The drawn (R19 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2019: R14 billion). The ECL on the portfolio is R41 million (31 March 2019: R29 million).*

* *Includes portfolios for which ECL is not required for IFRS purposes but for which management evaluates on this basis.*

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

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

R'million	30 Sept 2019	31 March 2019
Gross core loans and advances subject to ECL	**272 587**	**270 122**
Stage 1	254 366	255 769
Stage 2	14 739	10 768
of which past due greater than 30 days	*286*	*354*
Stage 3	3 482	3 585
Gross core loans and advances subject to ECL (%)		
Stage 1	93.3%	94.7%
Stage 2	5.4%	4.0%
Stage 3	1.3%	1.3%

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

R'million	30 Sept 2019	31 March 2019
ECL impairment charges on core loans and advances	(244)	(699)
Average gross core loans and advances subject to ECL	271 354	261 041
Annualised credit loss ratio	**0.18%**	**0.27%**

R'million	30 Sept 2019	31 March 2019
ECL	**(2 718)**	**(2 670)**
Stage 1	(608)	(538)
Stage 2	(673)	(441)
Stage 3	(1 437)	(1 691)
ECL coverage ratio (%)		
Stage 1	0.2%	0.2%
Stage 2	4.6%	4.1%
Stage 3	41.3%	47.2%

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

R'million	30 Sept 2019	31 March 2019
Stage 3 net of ECL	2 045	1 894
Aggregate collateral and other credit enhancements on Stage 3	2 858	3 055
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	1.3%	1.3%
Total ECL as a % of Stage 3 exposure	78.1%	74.5%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.8%	0.7%

Stage 1: 93.3% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected loss. Coverage for these performing, non-deteriorated assets is 0.2%.

Stage 2: 5.4% of gross exposure is in Stage 2 and has seen an increase in credit risk since origination. These assets require a lifetime expected loss to be held. Only R286 million or 0.1% of gross core loans and advances subject to ECL shown in Stage 2 are greater than 30 days past due. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 1.3% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. The coverage ratio totals 41.3% and the remaining net exposure is considered well covered by collateral. Stage 3 ECL is predominantly driven by specific impairments raised against the non-performing loan portfolio.

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

The table below indicates underlying movements in gross core loans and advances subject to ECL from 31 March 2019 to 30 September 2019. The transfers between stages of gross core loans indicates the impact of stage transfers upon the gross exposure and associated opening ECL. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs in Stage 3 that have been written off, typically when an asset has been sold. Exposures within this category may have transferred stage during this period. Foreign exchange and other category largely comprises impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2019. Further analysis as at 30 September 2019 of gross core loans and advances subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
At 31 March 2019	**255 769**	**(538)**	**10 768**	**(441)**	**3 585**	**(1 691)**	**270 122**	**(2 670)**
Transfer from Stage 1	(8 374)	176	7 836	(118)	538	(58)	–	–
Transfer from Stage 2	2 906	(6)	(3 056)	38	150	(32)	–	–
Transfer from Stage 3	77	(3)	34	(1)	(111)	4	–	–
ECL remeasurement arising from transfer of stage	–	37	–	(97)	–	(57)	–	(117)
New lending net of repayments (includes assets written off)	2 889	(79)	(388)	11	(454)	163	2 047	95
Changes to risk parameters and models	–	(86)	–	(85)	–	85	–	(86)
Foreign exchange and other	1 099	(109)	(455)	20	(226)	149	418	60
At 30 September 2019	**254 366**	**(608)**	**14 739**	**(673)**	**3 482**	**(1 437)**	**272 587**	**(2 718)**

An analysis of credit quality by internal rating grade

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

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

The internal credit rating distribution below is based on the 12-month PD at 30 September 2019 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 30 September 2019 R'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**152 354**	**100 695**	**16 056**	**3 482**	**272 587**
Stage 1	150 222	90 983	13 161	–	254 366
Stage 2	2 132	9 712	2 895	–	14 739
Stage 3	–	–	–	3 482	3 482
ECL	**(78)**	**(887)**	**(316)**	**(1 437)**	**(2 718)**
Stage 1	(72)	(370)	(166)	–	(608)
Stage 2	(6)	(517)	(150)	–	(673)
Stage 3	–	–	–	(1 437)	(1 437)
Coverage ratio (%)	**0.1%**	**0.9%**	**2.0%**	**41.3%**	**1.0%**

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

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

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Commercial real estate	**43 899**	**(83)**	**1 154**	**(3)**	**802**	**(262)**	**45 855**	**(348)**	**–**	**45 855**
Commercial real estate – investment	38 214	(68)	1 149	(3)	707	(171)	40 070	(242)	–	40 070
Commercial real estate – development	4 910	(11)	–	–	–	–	4 910	(11)	–	4 910
Commercial vacant land and planning	775	(4)	5	–	95	(91)	875	(95)	–	875
Residential real estate	**2 817**	**(60)**	**470**	**(27)**	**253**	**(147)**	**3 540**	**(234)**	**–**	**3 540**
Residential real estate – development	2 169	(26)	421	(21)	183	(95)	2 773	(142)	–	2 773
Residential vacant land and planning	648	(34)	49	(6)	70	(52)	767	(92)	–	767
Total lending collateralised by property	**46 716**	**(143)**	**1 624**	**(30)**	**1 055**	**(409)**	**49 395**	**(582)**	**–**	**49 395**
At 31 March 2019										
Commercial real estate	**39 682**	**(63)**	**2 423**	**(25)**	**907**	**(320)**	**43 012**	**(408)**	**–**	**43 012**
Commercial real estate – investment	35 494	(49)	1 132	(17)	812	(225)	37 438	(291)	–	37 438
Commercial real estate – development	3 604	(11)	1 288	(8)	–	–	4 892	(19)	–	4 892
Commercial vacant land and planning	584	(3)	3	–	95	(95)	682	(98)	–	682
Residential real estate	**2 859**	**(44)**	**531**	**(11)**	**260**	**(150)**	**3 650**	**(205)**	**–**	**3 650**
Residential real estate – development	2 266	(20)	482	(9)	208	(105)	2 956	(134)	–	2 956
Residential vacant land and planning	593	(24)	49	(2)	52	(45)	694	(71)	–	694
Total lending collateralised by property	**42 541**	**(107)**	**2 954**	**(36)**	**1 167**	**(470)**	**46 662**	**(613)**	**–**	**46 662**

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

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Mortgages	70 151	(77)	4 931	(131)	1 090	(252)	76 172	(460)	–	76 172
High net worth and specialised lending	63 232	(159)	1 053	(9)	602	(476)	64 887	(644)	–	64 887
Total high net worth and other private client lending	**133 383**	**(236)**	**5 984**	**(140)**	**1 692**	**(728)**	**141 059**	**(1 104)**	**–**	**141 059**
At 31 March 2019										
Mortgages	70 282	(86)	2 333	(61)	1 098	(245)	73 713	(392)	–	73 713
High net worth and specialised lending	63 272	(134)	671	(23)	540	(456)	64 483	(613)	–	64 483
Total high net worth and other private client lending	**133 554**	**(220)**	**3 004**	**(84)**	**1 638**	**(701)**	**138 196**	**(1 005)**	**–**	**138 196**

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

R'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Gross core loans and advances at amortised cost and FVPL (subject to ECL)									
At 30 September 2019										
Acquisition finance	11 528	(36)	253	(8)	30	(8)	11 811	(52)	–	11 811
Asset-based lending*	7 411	(44)	870	(9)	549	(271)	8 830	(324)	–	8 830
Fund finance	5 549	(7)	3	–	–	–	5 552	(7)	–	5 552
Other corporate and financial institutions and governments	41 491	(129)	4 615	(474)	156	(21)	46 262	(624)	1 967	48 229
Asset finance	3 004	(4)	16	(1)	–	–	3 020	(5)	–	3 020
Small ticket asset finance	1 860	(1)	16	(1)	–	–	1 876	(2)	–	1 876
Large ticket asset finance	1 144	(3)	–	–	–	–	1 144	(3)	–	1 144
Project finance	5 188	(9)	1 230	(10)	–	–	6 418	(19)	–	6 418
Resource finance	96	–	144	(1)	–	–	240	(1)	–	240
Total corporate and other lending	**74 267**	**(229)**	**7 131**	**(503)**	**735**	**(300)**	**82 133**	**(1 032)**	**1 967**	**84 100**
At 31 March 2019										
Acquisition finance	12 889	(34)	276	(2)	29	(1)	13 194	(37)	–	13 194
Asset-based lending	5 628	(26)	53	(2)	283	(188)	5 964	(216)	–	5 964
Fund finance	5 090	(8)	–	–	–	–	5 090	(8)	–	5 090
Other corporate and financial institutions and governments	46 592	(128)	2 671	(305)	460	(331)	49 723	(764)	1 952	51 675
Asset finance	3 844	(5)	18	(1)	8	–	3 870	(6)	–	3 870
Small ticket asset finance	1 962	(1)	18	(1)	8	–	1 988	(2)	–	1 988
Large ticket asset finance	1 882	(4)	–	–	–	–	1 882	(4)	–	1 882
Project finance	5 076	(9)	1 792	(11)	–	–	6 868	(20)	–	6 868
Resource finance	555	(1)	–	–	–	–	555	(1)	–	555
Total corporate and other lending	**79 674**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 264**	**(1 052)**	**1 952**	**87 216**

* *Includes Import Solutions (R3.1 billion) at 30 September 2019 previously disclosed as Other assets.*

Investment risk in the banking book

Investment risk in the banking book comprises 2.9% of total assets.

Summary of investments held and stress testing analyses

An analysis of income and revaluations of these investments can be found in the investment income note on page 18. The balance sheet value of investments is indicated in the table below.

R'million	On-balance sheet value of investments 30 Sept 2019	Valuation change stress test 30 Sept 2019*	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments**	3 365	505	3 525	529
Listed equities	3 948	987	4 139	1 035
Investment and trading properties	245	49	254	49
Warrants and profit shares	165	58	174	61
The IEP Group^	6 472	971	6 184	928
Total	**14 195**	**2 569**	**14 276**	**2 602**

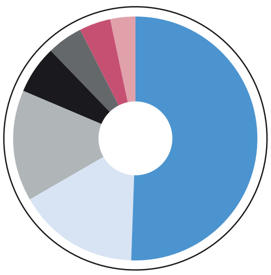
** *Includes the fair value loans investments of R1.2 billion.*
^ *The investment in the IEP Group is reflected as an investment in an associate. Investec Bank Limited holds a 47.4% stake alongside third party investors and senior management of the business who hold the remaining 52.6%.*
* *In order 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%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 30 September 2019, as reflected above, we could have a R2.6 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.

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



30 SEPTEMBER 2019
R7 478 million

50.5%	Real estate
15.6%	Finance and insurance
14.9%	Communication
6.4%	Electricity, gas and water (utility services)
4.9%	Manufacturing and commerce
4.1%	Mining and resources
3.6%	Other

Securitisation/structured credit activities exposures

Overview

The bank's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory 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.

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

The bank engages in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile but provides additional flexibility and a source of liquidity. 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.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.6 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.7 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R1.0 billion notes of the original R2.0 billion are still in issue. R182 million of the notes are held internally
- Fox Street 4: R1.9 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.7 billion notes of the original R2.9 billion are still in issue. All notes are held internally.
- Fox Street 6: R1.1 billion notes of the original R1.3 billion are still in issue. R423 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 considered select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated UK mortgage backed securities (RMBS), totalling R0.3 billion at 30 September 2019 (31 March 2019: R0.2 billion), unrated South African RMBS totalling R1.1 billion at 30 September 2019 (31 March 2019: R1.1 billion) and unrated South African commercial mortgage backed securities (CMBS) totalling R0.5 billion at 30 September 2019 (31 March 2019: R0.3 billion).

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 out 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' totaling R7.1 billion at 30 September 2019 (31 March 2019: R7.7 billion).

Nature of exposure/activity	**Exposure 30 Sept 2019 R'million**	Exposure 31 March 2019 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	1 899	1 633	Other debt securities	
Rated	305	167		
Unrated	1 594	1 466		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	195	220	Other loans and advances	
Private Client division assets which have been securitised (net exposure)	7 067	7 667	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans and advances

Analysis of gross structured credit exposure

R'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
UK RMBS	–	–	305	–	–	–	305	–	305
South African RMBS	–	–	–	–	–	–	–	1 101	1 101
South African CMBS	–	–	–	–	–	–	–	493	493
Total at 30 September 2019	**–**	**–**	**305**	**–**	**–**	**–**	**305**	**1 594**	**1 899**
Total at 31 March 2019	**–**	**33**	**–**	**–**	**134**	**–**	**167**	**1 466**	**1 633**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses. The focus of our trading activities is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited, and that trading should be conducted largely to facilitate client flow.

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.

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 is the worst case loss in the VaR distribution.

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

	30 September 2019				**31 March 2019**			
95% one-day VaR R'million	**Period end**	Average	High	Low	**Year end**	Average	High	Low
Commodities	0.1	0.1	0.3	-	0.1	0.1	0.4	–
Equities	4.5	4.4	8.7	3.3	3.6	3.4	7.2	1.6
Foreign exchange	1.2	2.2	6.5	0.8	1.4	2.1	6.5	0.9
Interest rates	1.2	1.7	4.5	0.8	1.2	2.1	9.0	0.4
Consolidated*	**4.8**	5.1	9.5	3.2	**3.8**	**4.5**	**9.7**	**1.5**

* *The consolidated VaR is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).*

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	**30 Sept 2019 Period end**	31 March 2019 Year end
Commodities	0.2	0.2
Equities	6.3	6.9
Foreign exchange	1.6	2.2
Interest rates	1.8	1.7
Consolidated*	**6.8**	**6.4**

* *The consolidated ES 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.

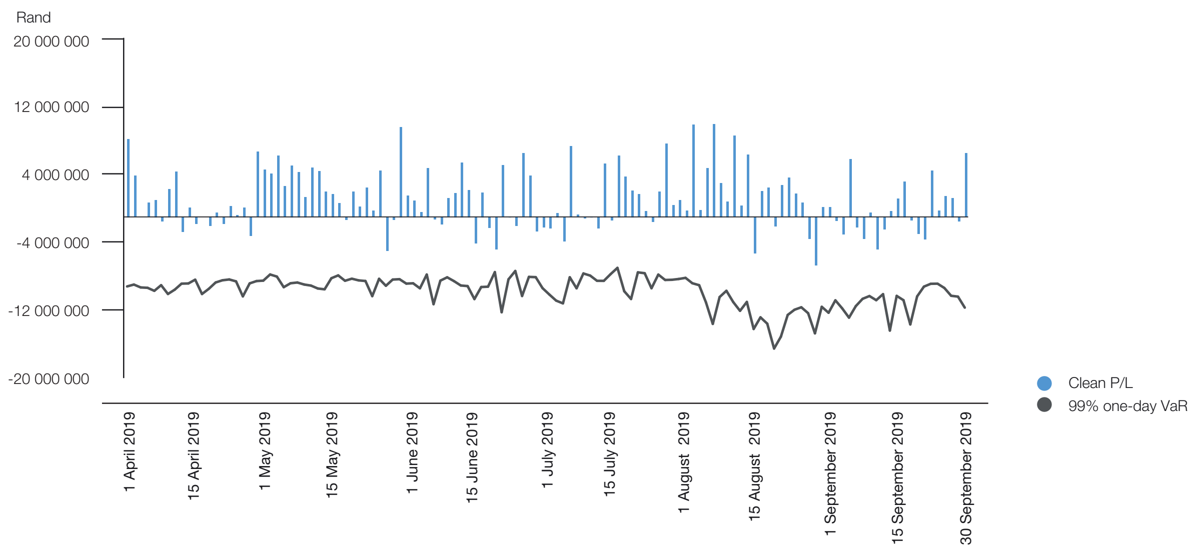
R'million	**30 Sept 2019 Period end**	31 March 2019 Year end
99% one-day sVaR	**14.1**	**8.6**

Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in 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 six months to 30 September 2019 in the trading book was slightly higher than year ended 31 March 2019 due to increased market volatility and higher VaR utilisation on the equities and foreign exchange desks. Using clean profit and loss data for backtesting resulted in zero exceptions (as shown in the graph below), which is below the expected number of exceptions that a 99% VaR model implies.

99% one-day VaR backtesting



Stress testing

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

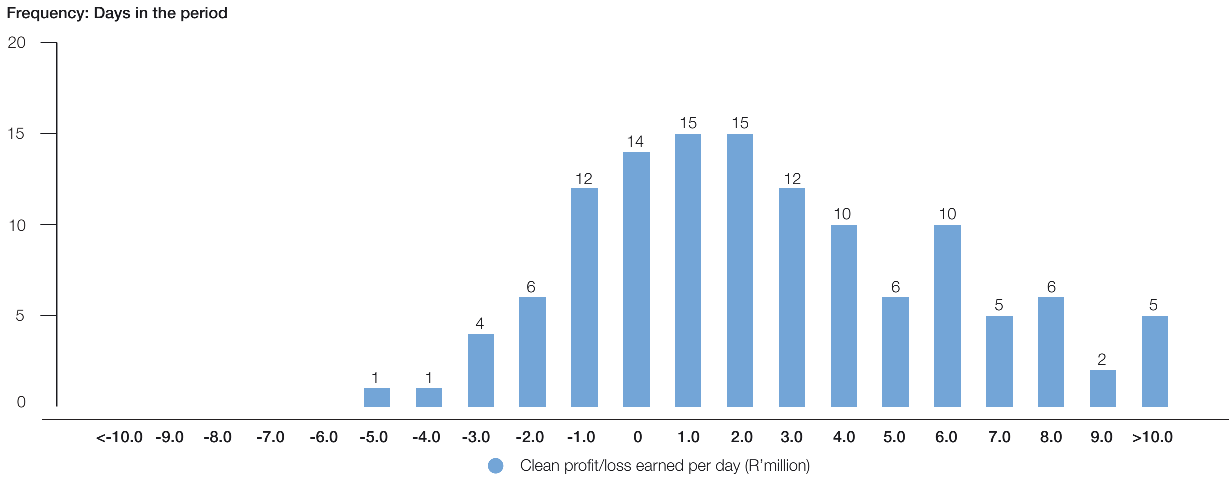
	30 September 2019				
99% EVT R'million	**Period end**	Average	High	Low	**31 March 2019 year end**
Commodities	0.9	0.6	1.8	0.2	1.4
Equities	13.3	18.0	49.0	7.7	22.5
Foreign exchange	10.3	7.5	15.5	2.5	8.9
Interest rates	4.2	6.8	23.0	2.1	3.9
Consolidated#	**18.8**	**19.0**	**49.3**	**9.7**	**17.2**

The consolidated stress testing is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the period for our trading business. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 86 days out of a total of 124 days in the trading business for the six months to 30 September 2019. The average daily clean profit and loss generated for the six months to 30 September 2019 was R2.1 million (six months to 30 September 2018: R2.4 million).

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



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.

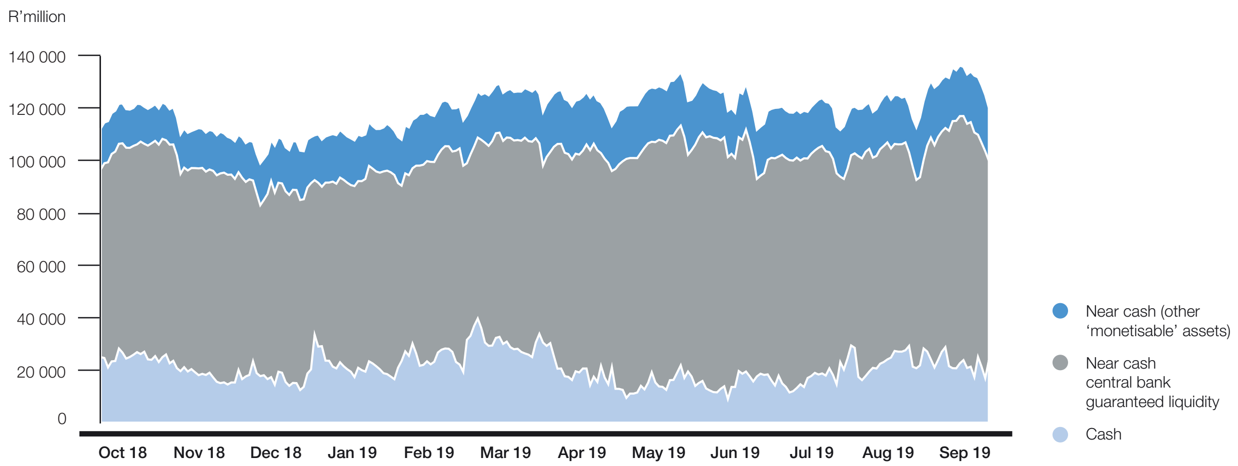
Liquidity risk

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.

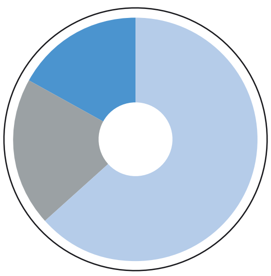
Liquidity risk is further broken down into:

- **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 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.

Cash and near cash trend



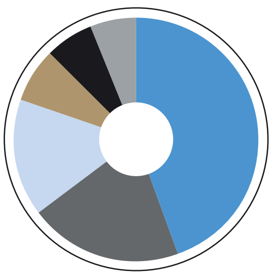
An analysis of cash and near cash at 30 September 2019



R120.0 billion

63.4%	Central Bank cash placements and guaranteed liquidity
19.8%	Cash
16.8%	Near cash (other 'monetisable' assets)

Bank and non-bank depositor concentration by type at 30 September 2019



R376.8 billion

44.6%	Other financials
20.2%	Individuals
15.6%	Non-financial corporates
7.3%	Banks
6.4%	Small business
5.9%	Public sector

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'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits:* the contractual repayments of many deposits are on demand, or at notice, but behaviourally withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 30 September 2019

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	30 584	371	394	–	152	4	91	31 596
Cash and short-term funds – non-banks	11 783	434	466	–	–	–	–	12 683
Investment/trading assets and statutory liquids	49 744	15 134	9 728	3 053	7 675	20 238	28 643	134 215
Securitised assets	–	–	–	–	–	3 533	3 742	7 275
Advances	5 262	7 435	10 916	9 140	20 277	106 486	105 515	265 031
Other assets	11 966	13 661	(3)	52	(404)	(9 226)	14 361	30 407
Assets	**109 339**	**37 035**	**21 501**	**12 245**	**27 700**	**121 035**	**152 352**	**481 207**
Deposits – banks	(851)	(922)	(554)	(220)	(388)	(24 649)	–	(27 584)
Deposits – non-banks	(155 088)	(24 793)	(60 587)	(37 863)	(27 847)	(39 858)	(3 180)	(349 216)
Negotiable paper	(119)	(147)	(604)	(868)	–	(4 778)	–	(6 516)
Securitised liabilities	–	–	–	–	–	–	(1 489)	(1 489)
Investment/trading liabilities	(344)	(13 302)	(2 056)	(504)	(3 012)	(10 664)	(2 690)	(32 572)
Subordinated liabilities	–	(21)	(4)	(1 489)	–	(10 438)	(643)	(12 595)
Other liabilities	(433)	(20)	–	(253)	(763)	(483)	(5 339)	(7 291)
Liabilities	**(156 835)**	**(39 205)**	**(63 805)**	**(41 197)**	**(32 010)**	**(90 870)**	**(13 341)**	**(437 263)**
Total equity	–	–	–	–	–	–	(43 944)	(43 944)
Contractual liquidity gap	**(47 496)**	**(2 170)**	**(42 304)**	**(28 952)**	**(4 310)**	**30 165**	**95 067**	**–**
Cumulative liquidity gap	(47 496)	(49 666)	(91 970)	(120 922)	(125 232)	(95 067)	–	

^ *Includes call deposits of R154 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 50.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**64 658**	**(2 404)**	**970**	**(5 248)**	**(10 867)**	**(212 744)**	**165 635**	**–**
Cumulative	64 658	62 254	63 224	57 976	47 109	(165 635)	–	

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 group 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.

Interest rate sensitivity gap at 30 September 2019

The table below shows our non-trading interest rate mismatch 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	18 168	–	–	4	–	11 694	29 866
Cash and short-term funds – non-banks	12 581	–	–	–	–	97	12 678
Investment/trading assets and statutory liquids	38 342	14 305	13 376	17 481	13 566	17 492	114 562
Securitised assets	7 275	–	–	–	–	–	7 275
Advances	248 207	3 317	2 316	4 994	258	5 872	264 964
Other assets	23 496	(3 696)	(3 593)	(1 014)	90	8 301	23 584
Assets	**348 069**	**13 926**	**12 099**	**21 465**	**13 914**	**43 456**	**452 929**
Deposits – banks	(27 203)	(134)	(125)	(18)	–	(104)	(27 584)
Deposits – non-banks	(288 353)	(28 529)	(17 865)	(9 792)	(981)	(3 696)	(349 216)
Negotiable paper	(2 369)	(190)	–	(975)	–	(148)	(3 682)
Securitised liabilities	(1 489)	–	–	–	–	–	(1 489)
Investment/trading liabilities	(2 226)	(420)	(1 759)	–	–	–	(4 405)
Subordinated liabilities	(12 165)	–	–	(291)	–	(139)	(12 595)
Other liabilities	–	–	–	–	–	(6 115)	(6 115)
Liabilities	**(333 805)**	**(29 273)**	**(19 749)**	**(11 076)**	**(981)**	**(10 202)**	**(405 086)**
Total equity	(1 544)	–	–	–	–	(42 400)	(43 944)
Balance sheet	**12 720**	**(15 347)**	**(7 650)**	**10 389**	**12 933**	**(9 146)**	**3 899**
Off-balance sheet	3 680	15 683	12 681	(19 994)	(15 949)	–	(3 899)
Repricing gap	**16 400**	**336**	**5 031**	**(9 605)**	**(3 016)**	**(9 146)**	**–**
Cumulative repricing gap	16 400	16 736	21 767	12 162	9 146	–	

Economic value sensitivity at 30 September 2019

As outlined above, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. 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	9.8	0.7	3.0	0.6	0.3	-	80.2
200bps up	(49.6)	(0.6)	(2.4)	(0.7)	(0.3)	-	(112.1)

Liquidity coverage ratio (LCR)

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

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

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 July 2019 to 30 September 2019 for Investec Bank Limited (IBL) solo. Investec Bank Limited consolidated group values use daily values for IBL solo, while those for other group entities use the average of July, August and September 2019 month-end values.

The minimum LCR requirement was 100%, for both IBL solo and IBL consolidated group.

The Bank of Mauritius requires banks to comply with a combined-currency LCR minimum of 80% from 1 January 2019, up from 70% last year.

Investec Bank Limited (IBL) solo

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

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

The composition of HQLA:

- The HQLA comprises primarily South African sovereign and central bank Rand-denominated securities and debt instruments, all of which are eligible for SARB repo.
- On average, Level 2 assets contributed 4% of total HQLA. As of 1 December 2017, we no longer make use of the SARB's committed liquidity facility (CLF).
- Some foreign denominated government securities are included in the HQLA, subject to regulatory limitations.

Investec Bank Limited consolidated group

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

At 30 September 2019 R'million	**Investec Bank Limited (IBL) solo – Total weighted value**	**Investec Bank Limited consolidated group – Total weighted value**
High quality liquid assets (HQLA)	91 069	92 284
Net cash outflows	68 942	65 143
Actual LCR (%)	**132.4**	**142.1**
Required LCR (%)	100.0	100.0

Net stable funding ratio (NSFR)

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

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by Directive 11/2015 and Directive 01/2019.

The values in the table are calculated as at 30 September 2019.

The minimum NSFR requirement is 100%. This applies to both IBL solo and Investec Bank Limited consolidated group.

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

Investec Bank Limited (IBL) solo

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

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

Investec Bank Limited consolidated group

Only banking and/or deposit-taking entities are included and the group data represents a consolidation of the relevant individual assets, liabilities and off-balance sheet items. Our two banks, Investec Bank Limited (IBL) and Investec Bank (Mauritius) Limited (IBM), contributed over 99% of the group's combined available and required stable funding. The consolidated group NSFR is higher than IBL solo's with the contribution of IBM's capital to available stable funding.

At 30 September 2019 **R'million**	**Investec Bank Limited (IBL) solo – Total weighted value**	**Investec Bank Limited consolidated group – Total weighted value**
Available stable funding (ASF)	307 530	319 557
Required stable funding (RSF)	268 347	275 343
Actual NSFR (%)	**114.6**	**116.1**
Required NSFR (%)	100.0	100.0

Capital structure and capital adequacy - IBL

R'million	FIRB 30 Sept 2019^	Pro forma FIRB* 31 March 2019^	Standardised 31 March 2019^
Tier 1 capital			
Shareholders' equity	41 950	39 770	39 770
Shareholders' equity per balance sheet	43 484	41 304	41 304
Perpetual preference share capital and share premium	(1 534)	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	1 285	931	1 157
Cash flow hedging reserve	1 285	931	931
Adjustment under IFRS 9 transitional arrangement	–	–	226
Deductions	(3 726)	(3 461)	(2 776)
Goodwill and intangible assets net of deferred tax	(544)	(588)	(588)
Investment in financial entity	(2 292)	(2 236)	(2 153)
Shortfall of eligible provisions compared to expected loss	(860)	(602)	–
Other regulatory adjustments	(30)	(35)	(35)
Common equity tier 1 capital	**39 509**	**37 240**	**38 151**
Additional tier 1 capital	**920**	**920**	**920**
Additional tier 1 instruments	1 994	1 994	1 994
Phase out of non-qualifying additional tier 1 instruments	(1 074)	(1 074)	(1 074)
Tier 1 capital	**40 429**	**38 160**	**39 071**
Tier 2 capital	**13 401**	**14 401**	**14 795**
Collective impairment allowances	806	483	877
Tier 2 instruments	12 595	13 918	13 918
Total regulatory capital	**53 830**	**52 561**	**53 866**
Risk-weighted assets	**303 157**	**297 506**	**340 315**
Capital ratios			
Common equity tier 1 ratio	13.0%	12.5%	11.2%
Tier 1 ratio	13.3%	12.8%	11.5%
Total capital adequacy ratio	17.8%	17.7%	15.8%

* *We had approval to adopt the Foundation Internal Rating (FIRB) approach, effective 1 April 2019. We therefore also presented numbers on a pro-forma basis for 31 March 2019.*

^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 35bps lower (31 March 2019: 14bps lower).*

Capital requirements

	FIRB	Pro forma FIRB*	Standardised
R'million	**30 Sept 2019**	31 March 2019	31 March 2019
Capital requirements	**34 893**	**34 301**	**39 237**
Credit risk	29 217	28 546	33 341
Equity risk	1 680	1 863	1 863
Counterparty credit risk	680	600	732
Credit valuation adjustment risk	317	382	391
Market risk	483	381	381
Operational risk	2 516	2 529	2 529
Risk-weighted assets	**303 157**	**297 506**	**340 315**
Credit risk	253 839	247 584	289 168
Equity risk	14 592	16 159	16 159
Counterparty credit risk	5 911	5 206	6 349
Credit valuation adjustment risk	2 753	3 310	3 392
Market risk	4 199	3 308	3 308
Operational risk	21 863	21 939	21 939

A summary of capital adequacy and leverage ratios

	FIRB	Pro forma FIRB*	Standardised
R'million	**30 Sept 2019^**	31 March 2019^	31 March 2019^
Common equity tier 1 (as reported)	13.0%	12.5%	11.2%
Common equity tier 1 ('fully loaded')^^	13.0%	12.5%	11.1%
Tier 1 (as reported)	13.3%	12.8%	11.5%
Total capital adequacy ratio (as reported)	17.8%	17.7%	15.8%
Leverage ratio** – current	7.8% #	7.6%#	7.7%#
Leverage ratio** – 'fully loaded'^^	7.7% #	7.5%#	7.6%#

* *We had approval to adopt the Foundation Internal Rating (FIRB) approach, effective 1 April 2019. We therefore also presented numbers on a pro-forma basis for 31 March 2019.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 35bps lower (31 March 2019: 14bps lower).*
^^ *The key difference between the 'reported' basis and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Leverage

	FIRB	Pro forma FIRB*	Standardised
R'million	**30 Sept 2019^**	31 March 2019^	31 March 2019^
Exposure measure	**518 964**	**504 383**	**505 070**
Tier 1 capital	40 429	38 160	39 071
Leverage ratio- current**	**7.8%** #	**7.6%#**	**7.7%#**
Tier 1 capital 'fully loaded'^^	39 969	37 699	38 364
Leverage ratio- 'fully loaded'^^**	**7.7%** #	**7.5%#**	**7.6%#**

* *We had approval to adopt the Foundation Internal Rating (FIRB) approach, effective 1 April 2019. We therefore also presented numbers on a pro-forma basis for 31 March 2019.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
^ *Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's common equity tier 1 ratio would be 35bps lower (31 March 2019: 14bps lower).*
^^ *The key difference between the 'reported' basis and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.*

Investec Bank Limited

(details as at 20 November 2019)

Zarina BM Bassa (55)

Senior Independent, non-executive director

Fani Titi (57)

Executive director

David Friedland (66)

Independent, non-executive director

Philip Hourquebie (66)

Independent, non-executive director

David M Lawrence (68)

Deputy chairman, non-executive director

Khumo L Shuenyane (49)

Independent, non-executive chairman

Stuart C Spencer (51)

Finance director

Peter RS Thomas (74)

Independent, non-executive director

Richard J Wainwright (57)

Chief executive officer

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ANNEXURES

Investec Bank Limited

Incorporated in the Republic of South Africa
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI No.: 549300RH5FFHO48FXT69

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares (“preference shares”)

Declaration of dividend number 33

Notice is hereby given that preference dividend number 33 has been declared by the Board from income reserves for the period 01 April 2019 to 30 September 2019 amounting to a gross preference dividend of 424.01272 cents per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 13 December 2019.

The relevant dates for the payment of dividend number 33 are as follows:

Last day to trade cum-dividend	Tuesday, 10 December 2019
Shares commence trading *ex*-dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 339.21018 cents per preference share for shareholders liable to pay the Dividend Tax and 424.01272 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company Secretary

20 November 2019

Extract of operating costs

For the six months to 30 September R'million	2019	2018
Staff costs	2 490	2 446
Premises expenses^	94	177
Premises expenses (excluding depreciation)^	44	177
Premises depreciation^	50	-
Equipment expenses (excluding depreciation)	97	93
Business expenses	269	222
Marketing expenses	173	170
Depreciation, amortisation and impairment on property, equipment and intangibles^	144	109
	3 267	**3 217**

^ *The group adopted IFRS 16 from 1 April 2019. The impact has been to increase the depreciation charge by R50.5 million as a result of recognising a right-of-use asset and to reduce the premises expense in the six months to 30 September 2019. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*

Extract of reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

At R'million	30 Sept 2019	31 March 2019
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	11 196	18 552
Expected credit loss on amortised cost	^	^
Net reverse repurchase agreements and cash collateral on securities borrowed	**11 196**	**18 552**
Reverse repurchase agreements	8 966	16 378
Cash collateral on securities borrowed	2 230	2 174
	11 196	**18 552**
Liabilities		
Repurchase agreements	14 300	15 234
	14 300	**15 234**

^ *Less than R1 million.*

Extract of other debt securities

At R'million	30 Sept 2019	31 March 2019
Gross other debt securities	14 373	13 559
Expected credit loss on amortised cost	(6)	(6)
Net other debt securities	**14 367**	**13 553**
Bonds	8 012	11 545
Commercial paper	88	88
Floating rate notes	5 861	1 761
Asset-based securities	406	126
Other investments	–	33
	14 367	**13 553**

Extract of securities arising from trading activities

At R'million	30 Sept 2019	31 March 2019
Bonds	1 948	4 840
Floating rate notes	376	-
Listed equities	187	134
Unlisted equities	36	85
	2 547	**5 059**

Extract of loans and advances to customers and other loans and advances

At R'million	30 Sept 2019	31 March 2019
Gross loans and advances to customers at amortised cost	246 862	248 360
Gross loans and advances to customers designated at FVPL at inception^	18 636	14 085
Gross loans and advances to customers subject to ECL	265 498	262 445
Expected credit loss on amortised cost	(2 696)	(2 660)
	262 802	259 785
Loans and advances to customers at fair value	1 967	1 952
Net loans and advances to customers	**264 769**	**261 737**
Gross other loans and advances	287	355
Expected credit loss of other loans and advances	(25)	(26)
Net other loans and advances	**262**	**329**

^ *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.*

Extract of securitised assets and liabilities arising on securitisation

At R'million	30 Sept 2019	31 March 2019
Gross own originated loans and advances to customers securitised	7 089	7 677
Expected credit loss of own originated loans and advances to customers securitised	(22)	(10)
Net own originated loans and advances to customers securitised	**7 067**	**7 667**
Total other securitised assets	**208**	**232**

Other assets

At R'million	30 Sept 2019	31 March 2019
Gross other assets	7 297	8 327
Expected credit loss on amortised cost	(1)	(90)
Net other assets	**7 296**	**8 237**
Settlement debtors	1 041	527
Trading properties	244	252
Prepayments and accruals	613	1 258
Trading initial margin	359	440
Investec For Business debtors (previously Investec Import Solutions debtors)	77	2 621
Commodities	2 328	1 163
Fee debtors	12	24
Corporate tax assets	107	121
Other	2 515	1 831
	7 296	**8 237**

Debt securities in issue

At R'million	30 Sept 2019	31 March 2019
Repayable in:		
Less than three months	898	464
Three months to one year	346	1 441
One to five years	5 272	4 607
Greater than five years	–	–
	6 516	**6 512**

Other liabilities

At R'million	30 Sept 2019	31 March 2019
Settlement liabilities	1 850	1 856
Other creditors and accruals	1 877	2 666
Other non-interest bearing liabilities	1 455	1 080
Dividends Rewards Programme liability	591	623
Lease liability^	613	–
Expected credit loss on off balance sheet commitments and guarantees	42	38
	6 428	**6 263**

^ *The group adopted IFRS 16 from 1 April 2019 and as a result recognised lease liabilities. The prior period comparatives have not been restated.*

Extract of perpetual preference share capital

At R'million	30 Sept 2019	31 March 2019
Perpetual preference share capital	*	*
Perpetual preference share premium	1 534	1 534
	1 534	**1 534**

* *Less than R1 million.*

Extract of deferred taxation

At R'million	30 Sept 2019	31 March 2019
Losses carried forward	–	–
	–	**–**

Extract of subordinated liabilities

At R'million	30 Sept 2019	31 March 2019
Remaining maturity:		
In one year or less, or on demand	1 454	3 175
In more than one year, but not more than two years	1 422	260
In more than two years, but not more than five years	9 719	9 634
In more than five years	–	849
	12 595	**13 918**

Offsetting

		Amounts subject to enforceable netting arrangements			
	Effects of offsetting on balance sheet			Related amounts not offset	
At 30 September 2019 R'million	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	**Net amount**
Assets					
Cash and balances at central banks	12 290	–	12 290	–	12 290
Loans and advances to banks	27 191	(7 885)	19 306	–	19 306
Non-sovereign and non-bank cash placements	12 683	–	12 683	–	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	11 196	–	11 196	–	11 196
Sovereign debt securities	71 756	–	71 756	(7 668)	64 088
Bank debt securities	10 695	–	10 695	(977)	9 718
Other debt securities	14 367	–	14 367	(174)	14 193
Derivative financial instruments	13 887	(4 082)	9 805	(3 229)	6 576
Securities arising from trading activities	2 547	–	2 547	(1 620)	927
Investment portfolio	7 313	–	7 313	–	7 313
Loans and advances to customers	267 527	(2 758)	264 769	(258)	264 511
Own originated loans and advances to customers securitised	7 067	–	7 067	–	7 067
Other loans and advances	262	–	262	–	262
Other securitised assets	208	–	208	–	208
Other assets	7 296	–	7 296	–	7 296
	466 285	**(14 725)**	**451 560**	**(13 926)**	**437 634**
Liabilities					
Deposits by banks	28 488	(904)	27 584	–	27 584
Derivative financial instruments	25 744	(11 063)	14 681	(3 229)	11 452
Other trading liabilities	3 591	–	3 591	–	3 591
Repurchase agreements and cash collateral on securities lent	14 300	–	14 300	(10 041)	4 259
Customer accounts (deposits)	351 974	(2 758)	349 216	–	349 216
Debt securities in issue	6 516	–	6 516	–	6 516
Liabilities arising on securitisation of own originated loans and advances	1 489	–	1 489	–	1 489
Other liabilities	6 428	–	6 428	–	6 428
Subordinated liabilities	12 595	–	12 595	–	12 595
	451 125	**(14 725)**	**436 400**	**(13 270)**	**423 130**

At 31 March 2019 R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Net amount
	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet			Related amounts not offset	
Assets					
Cash and balances at central banks	10 290	–	10 290	–	10 290
Loans and advances to banks	26 988	(7 085)	19 903	–	19 903
Non-sovereign and non-bank cash placements	12 192	–	12 192	–	12 192
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	–	18 552	–	18 552
Sovereign debt securities	60 893	–	60 893	(5 977)	54 916
Bank debt securities	12 526	–	12 526	(2 259)	10 267
Other debt securities	13 553	–	13 553	–	13 553
Derivative financial instruments	11 507	(3 807)	7 700	(3 101)	4 599
Securities arising from trading activities	5 059	–	5 059	(4 542)	517
Investment portfolio	7 664	–	7 664	–	7 664
Loans and advances to customers	264 116	(2 379)	261 737	–	261 737
Own originated loans and advances to customers securitised	7 667	–	7 667	–	7 667
Other loans and advances	329	–	329	–	329
Other securitised assets	232	–	232	–	232
Other assets	8 237	–	8 237	–	8 237
	459 805	**(13 271)**	**446 534**	**(15 879)**	**430 655**
Liabilities					
Deposits by banks	30 832	(791)	30 041	–	30 041
Derivative financial instruments	21 198	(10 101)	11 097	(3 101)	7 996
Other trading liabilities	4 468	–	4 468	–	4 468
Repurchase agreements and cash collateral on securities lent	15 234	–	15 234	(12 034)	3 200
Customer accounts (deposits)	344 089	(2 379)	341 710	–	341 710
Debt securities in issue	6 512	–	6 512	–	6 512
Liabilities arising on securitisation of own originated loans and advances	1 720	–	1 720	–	1 720
Other liabilities	6 263	–	6 263	–	6 263
Subordinated liabilities	13 918	–	13 918	–	13 918
	444 234	**(13 271)**	**430 963**	**(15 135)**	**415 828**

Changes in accounting policies

Implementation of IFRS 16

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

As a lessee, the group now recognises a lease liability measured at the present value of remaining lease payments and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

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 lease payments are made. The right of use asset is being depreciated in the income statement over the life of the lease.

As permitted by the standard the group applied IFRS 16 on a modified retrospective basis without restating prior years.

The group elected to take advantage of the following transition options on transition at 1 April 2019:

- applied IFRS 16 to contracts previously identified as leases by IAS 17
- calculated the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- used the incremental borrowing rate as the discount rate
- not applied IFRS 16 to operating leases with a remaining lease term of less than 12 months
- relied on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets created on 1 April 2019.

The impact on adoption was an increase in property, plant and equipment of R653 million and an increase in other liabilities of R653 million with no impact on retained income.

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures constitute *pro forma* financial information. The *pro forma* financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Annualised net interest margin	Interest income net of interest expense multiplied by two, divided by average interest-earning assets. Refer to calculation on page 17
Annuity income	Net interest income (refer to page 17) plus net annuity fees and commissions (refer to page 18)
Cost to income ratio	Operating costs divided by operating income before ECL impairment charges (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests) Refer to calculation below

R'million	30 Sept 2019	30 Sept 2018	31 March 2019
Operating costs (A)	3 267	3 217	6 547
Total operating income before expected credit losses	6 442	6 149	12 650
Less: Profit attributable to other non-controlling interests	–	–	3
Total (B)	6 442	6 149	12 653
Cost to income ratio (A/B)	**50.7%**	**52.3%**	**51.7%**

Coverage ratio	ECL as a percentage of gross core loans and advances subject to ECL
Credit loss ratio	ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL
Gearing ratio	Total assets excluding intergroup divided by total equity
Gross core loans and advances	Refer to calculation on page 36
Loans and advances to customers as a % of customer accounts	Loans and advances to customers as a percentage of customer accounts (deposits)
Net core loans and advances	Refer to calculation on page 36

Cash and near cash

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

ECL

Expected credit loss

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, core loans and advances, other debt securities, other loans and advances and other securitised assets. Refer to page 17 for calculation

Interest-bearing liabilities

Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), liabilities arising on securitisation of own originated loans and advances and loans from group companies. Refer to page 17 for calculation

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities on the balance sheet. Refer to page 45 for detail.