INTERIM REPORT | 2020

Investec Bank Limited
Salient financial information
for the six months ended 30 September 2020

Investec

Corporate information

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

Secretary and registered office

Niki van Wyk
100 Grayston Drive
Sandown Sandton 2196
PO Box 785700 Sandton 2146
Telephone (+27) 11 286 7000
Facsimile (+27) 11 286 7966

Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young Inc.

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
RJ Wainwright (Chief executive officer)
SC Spencer (Finance director)
F Titi (Executive director)

Non-executive directors
KL Shuenyane (Chairman)
DM Lawrence (Deputy chairman)
ZBM Bassa
D Friedland
P A Hourquebie
M Mthombeni
MG Qhena

For queries regarding information in this document

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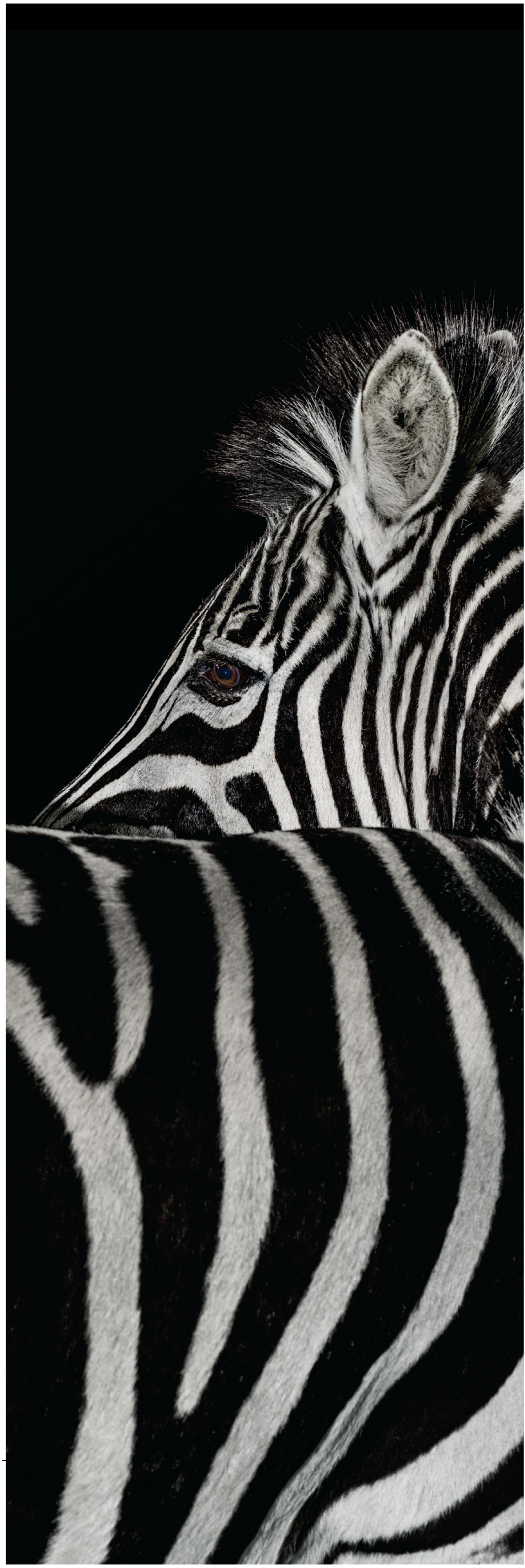

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1

OVERVIEW
OF THE PERIOD

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).

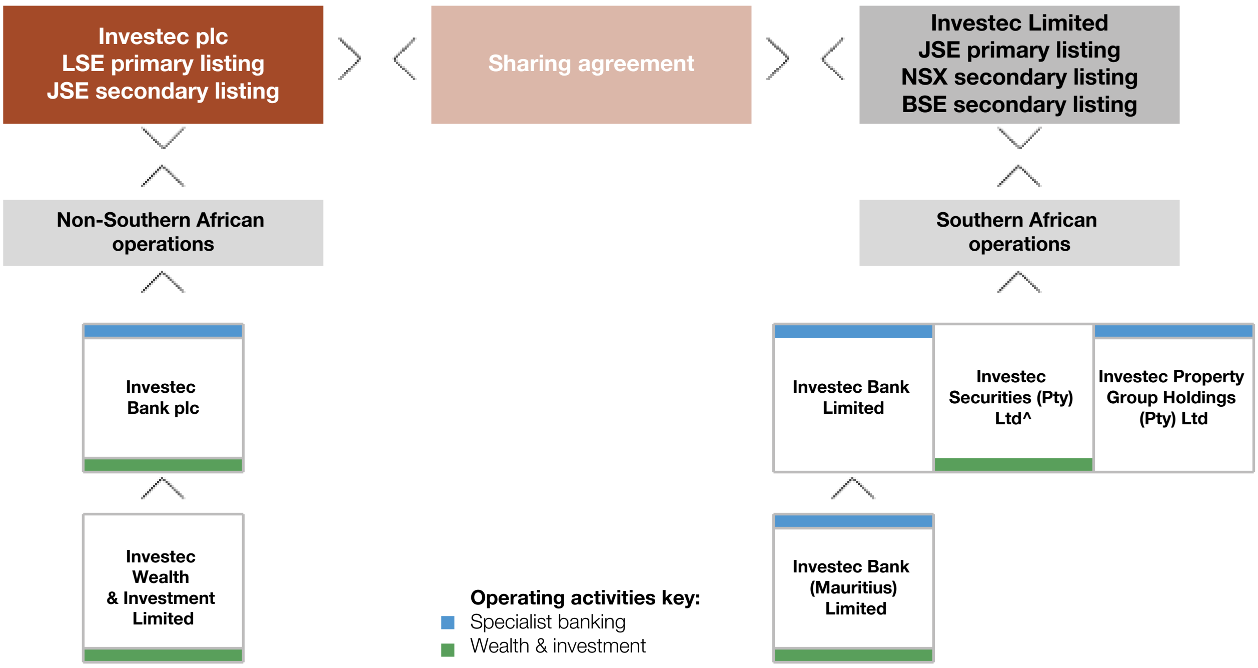
In March 2020, the Asset Management business was demerged and separately listed as Ninety One plc on the LSE and Ninety One Limited on the JSE.

All references in this report to the bank, IBL or the group relate to Investec Bank Limited, whereas references to Investec, 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.

www Further information on the demerger can be found on our website.

The DLC structure and main operating subsidiaries at 30 September 2020



^ Houses the Wealth & Investment business.

All shareholdings in the ordinary share capital of the subsidiaries shown are 100%. In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One group, with 16.3% held through Investec plc and 8.7% held through Investec Limited.

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 solutions to meet private, business, corporate and institutional clients' needs. 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	Investec 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 • Specialised investments^ • Life assurance products^	• Import and trade finance lending • 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

^ Investec Specialist Investments and Investec Life which house these products are operationally part of Corporate and Institutional Banking although they are both subsidiaries of Investec Limited.

Where we operate

South Africa	Mauritius
• Established a presence in 1974 • Strong brand and positioning • Fifth largest bank by assets • Leading position in corporate, institutional and private client banking activities	• Established a presence in 1997 • Focused on corporate, institutional and private client banking activities

During the past six months, the acute impact of the COVID-19 pandemic has been felt across local and international markets and in our business. At the onset of the crisis, we witnessed a proactive response from the South African government including the decision to implement one of the strictest lockdowns globally. This, coupled with decades-low interest rates (300bps rate cuts since January 2020), had a considerable impact on our financial performance. The South African economy also saw little equity capital market activity relative to its developed counterparts. In addition, rising debt to GDP, lack of structural reform, policy uncertainty, and resultant depressed business confidence continue to be headwinds, making for a challenging operating environment.

Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited, posted a decrease in headline earnings attributable to ordinary shareholders of 33.0% to R1 621 million (1H2020: R2 418 million).

The balance sheet remains sound with robust capital and liquidity ratios. At 30 September 2020 Investec Bank Limited had a total capital adequacy ratio of 17.1% (31 March 2020: 16.4%), a common equity tier one (CET1) ratio of 12.9% (31 March 2020: 12.1%) and a leverage ratio of 7.5% (31 March 2020: 6.9%) The Liquidity coverage ratio was 151.0% for Investec Bank Limited (solo) and 164.1% for Investec Bank Limited (consolidated group), and the Net stable funding ratio was 112.9% and 113.9%, respectively.

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 2020**	30 Sept 2019	% change	31 March 2020
Total operating income before expected credit loss impairment charges (R'million)	5 629	6 442	(12.6%)	12 603
Operating costs (R'million)	3 098	3 267	(5.2%)	6 632
Operating profit before goodwill and acquired intangibles (R'million)	1 999	2 904	(31.2%)	4 883
Headline earnings attributable to ordinary shareholders (R'million)	1 621	2 418	(33.0%)	3 844
Cost to income ratio	55.0%	50.7%		52.6%
Total capital resources (including subordinated liabilities) (R'million)	56 272	56 539	(0.5%)	53 785
Total equity (R'million)	44 365	43 944	1.0%	41 748
Total assets (R'million)	529 576	482 801	9.7%	535 970
Net core loans and advances (R'million)	279 308	271 836	2.7%	283 946
Customer accounts (deposits) (R'million)	365 066	349 216	4.5%	375 948
Loans and advances to customers as a % of customer accounts (deposits)	74.7%	75.8%		73.6%
Cash and near cash balances (R'million)	143 248	119 979	19.4%	147 169
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.6x	10.5x		12.4x
Total capital adequacy ratio	17.1%	17.8%		16.4%
Tier 1 ratio	13.1%	13.3%		12.3%
Common equity tier 1 ratio	12.9%	13.0%		12.1%
Leverage ratio – current	7.5%	7.8%		6.9%
Leverage ratio – 'fully loaded'	7.4%	7.7%		6.8%
Stage 3 as a % of gross core loans and advances subject to ECL	2.4%	1.3%		1.5%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	1.6%	0.8%		0.9%
Credit loss ratio	0.36%*	0.18%*		0.37%

* Annualised.

Financial review

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2019 (1H2020). The comparability of 1H2021 to 1H2020 is impacted by the economic effects of COVID-19 which prevailed over the period under review.

Salient operational features for the period under review include:

Total operating income before expected credit loss (ECL) impairment charges decreased by 12.6% to R5 629 million (1H2020: R6 442 million). The components of operating income are analysed further below:

- Net interest income decreased by 3.3% to R4 238 million (1H2020: R4 382 million) driven primarily by the significant drop in interest rates impacting endowment income and assets repricing ahead of liabilities. Private client lending held steady compared to 31 March 2020 while the corporate client lending book declined due to higher repayments and lower new originations as corporates remained cautious. Net core loans declined 1.6% to R279.3 billion
- Net fee and commission income reduced by 20.5% to R859 million (1H2020: R1 081 million) reflecting lower lending and transactional activity across the business
- Investment income decreased by 37.8% to R313 million (1H2020: R503 million) driven by lower realisations, dividend flows and negative fair value adjustments on certain investments given the prevailing economic backdrop
- Share of post taxation profit of associates reflects earnings in relation to the group's investment in the IEP Group (IEP). The 95.0% reduction period on period reflects the negative impact of COVID-19 as some IEP subsidiaries were unable to trade during the hard lockdown and a realisation in the prior period was not repeated
- Total trading income declined 4.2% to R205 million (1H2020: R214 million). An improvement in client flow trading income due to increased commodity trading activity and positive fair value adjustments on certain trading portfolios was offset by negative movements on currency hedges related to our investment in IAPF

ECL impairment charges increased to R532 million (1H2020: R271 million) resulting in an annualised credit loss ratio (CLR) of 0.36% (1H2020: 0.18%) below the annualised 2H2020 CLR of 0.57%. The increase since 31 March 2020 was driven primarily by updated assumptions applied in our models to capture the deterioration in macro-economic variables since year end. Since 31 March 2020, gross core loan stage 3 assets increased to R6 882 million (31 March 2020: R4 353 million) driven by the migration of a few deals across various sectors. Net stage 3 exposures as a percentage of net core loans subject to ECL was 1.6% (31 March 2020: 0.9%).The stage 3 coverage ratio was 33.8% at 30 September 2020 with the remaining net exposure considered well covered by collateral.

In line with our strategic objective to contain costs, operating costs decreased by 5.2% to R3 098 million (1H2020: R3 267 million) driven by headcount containment, lower variable remuneration and a reduction in discretionary expenditure. However, a decline in revenues resulted in a cost to income ratio of 55.0% (1H2020: 50.7%).

As a result of the foregoing factors, profit before taxation decreased by 31.4% to R1 973 million (1H2020: R2 878 million). The taxation charge decreased to R266 million (1H2020: R367 million) driven by lower profitability. Overall, profit after taxation declined 32.0% to R1 707 million (1H2020: R2 511 million).

Outlook

The outlook is uncertain. Although the economy has started to re-open and activity is starting to rebound, it remains largely below pre-COVID-19 levels. These early signs of recovery are tempered by an outlook that remains highly unpredictable, largely dependent on how COVID-19 transmission responds to relaxed COVID-19 regulations, and by the impact of low interest rates and economic fragility which will continue for at least the rest of the financial year.

The success of the group is inextricably linked to the health of the South African economy and as such, we remain committed to being part of the national solution by using the group's financial strength to work in support of the wider economy and its recovery over time.

Our client focused strategic plan remains fully aligned with the group's long-term strategic objectives; our iconic brand embodied by the African Zebra is strong; our client base resilient and our diversified model means we can remain confident in our continued financial strength and liquidity to see us through these challenging operating conditions.

FINANCIAL REVIEW

2

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 2020, 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 include: 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 18 November 2020 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

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 2020, 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 11 to 26.

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 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, 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 2020 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.	KPMG Inc
Ernst & Young Inc.	**KPMG Inc.**
Registered Auditor	Registered Auditor
Per Gail Moshoeshoe	Per Tracy Middlemiss
Chartered Accountant (SA)	Chartered Accountant (SA)
Registered Auditor	Registered Auditor
Director	Director
18 November 2020	18 November 2020

Condensed consolidated income statement

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Interest income	14 724	17 874	35 549
Interest expense	(10 486)	(13 492)	(26 606)
Net interest income	**4 238**	**4 382**	**8 943**
Fee and commission income	1 069	1 392	2 836
Fee and commission expense	(210)	(311)	(490)
Investment income	313	503	601
Share of post taxation profit of associates	13	262	320
Trading income/(loss) arising from			
– customer flow	280	225	443
– balance sheet management and other trading activities	(75)	(11)	(50)
Other operating income	1	—	—
Total operating income before expected credit loss impairment charges	**5 629**	**6 442**	**12 603**
Expected credit loss impairment charges	(532)	(271)	(1 088)
Operating income	**5 097**	**6 171**	**11 515**
Operating costs	(3 098)	(3 267)	(6 632)
Operating profit before goodwill and acquired intangibles	**1 999**	**2 904**	**4 883**
Impairment of goodwill	—	—	(3)
Amortisation of acquired intangibles	(26)	(26)	(51)
Impairment of associate	—	—	(937)
Profit before taxation	**1 973**	**2 878**	**3 892**
Taxation on operating profit before acquired intangibles	(273)	(374)	(816)
Taxation on acquired intangibles	7	7	14
Profit after taxation	**1 707**	**2 511**	**3 090**

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation	1 707	2 511	3 090
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*	(75)	(354)	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	1 195	184	(1 908)
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(6)	(34)	(79)
Foreign currency adjustments on translating foreign operations	(441)	276	1 290
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	323	(97)	(1 187)
Net (loss)/gain attributable to own credit risk	(13)	(2)	1
Total comprehensive income	**2 690**	**2 484**	**588**
Total comprehensive income attributable to ordinary shareholders	2 604	2 391	402
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	86	93	186
Total comprehensive income	**2 690**	**2 484**	**588**

* These amounts are net of taxation expense/(credit) of R555.6 million [Six months to 30 September 2019: (R147.6 million); year to 31 March 2020: (R1.6 billion)].

At R'million	30 Sept 2020	31 March 2020*	30 Sept 2019*
Assets			
Cash and balances at central banks	12 064	36 656	12 290
Loans and advances to banks	29 476	18 050	19 306
Non-sovereign and non-bank cash placements	7 840	14 014	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	37 938	26 426	11 196
Sovereign debt securities	72 519	64 358	71 756
Bank debt securities	11 318	12 265	10 695
Other debt securities	15 506	17 416	14 367
Derivative financial instruments	21 403	17 434	9 805
Securities arising from trading activities	3 147	3 178	2 547
Investment portfolio	6 270	5 801	7 313
Loans and advances to customers	272 672	276 754	264 769
Own originated loans and advances to customers securitised	6 636	7 192	7 067
Other loans and advances	217	242	262
Other securitised assets	208	416	208
Interests in associated undertakings	5 667	5 662	6 535
Deferred taxation assets	2 693	2 903	1 790
Other assets	6 098	6 156	7 296
Property and equipment	2 847	3 008	3 048
Investment properties	1	1	1
Goodwill	178	178	171
Software*	128	149	180
Other acquired intangible assets*	141	169	193
Loans to group companies	14 609	17 542	19 323
	529 576	**535 970**	**482 801**
Liabilities			
Deposits by banks	35 913	37 277	27 584
Derivative financial instruments	18 278	22 097	14 681
Other trading liabilities	4 758	4 521	3 591
Repurchase agreements and cash collateral on securities lent	32 684	26 626	14 300
Customer accounts (deposits)	365 066	375 948	349 216
Debt securities in issue	3 148	3 258	6 516
Liabilities arising on securitisation of own originated loans and advances	1 576	1 699	1 489
Current taxation liabilities	498	315	809
Deferred taxation liabilities	40	47	54
Other liabilities	7 014	7 590	6 428
Loans from group companies	4 329	2 807	1 594
	473 304	**482 185**	**426 262**
Subordinated liabilities	11 907	12 037	12 595
	485 211	**494 222**	**438 857**
Equity			
Ordinary share capital	32	32	32
Share premium	14 250	14 250	13 351
Other reserves	226	(787)	1 731
Retained income	27 863	26 259	26 836
Ordinary shareholder's equity	**42 371**	**39 754**	**41 950**
Perpetual preference shares in issue*	1 534	1 534	1 534
Shareholder's equity excluding non-controlling interests	**43 905**	**41 288**	**43 484**
Other Additional Tier 1 securities in issue	460	460	460
Total equity	**44 365**	**41 748**	**43 944**
Total liabilities and equity	**529 576**	**535 970**	**482 801**

* Software of R128 million (31 March 2020: R149 million; 30 September 2019: R180 million), which was previously reported within intangible assets, is now reported as a separate line item. The prior periods have been re-presented to reflect the same basis. Perpetual preference share premium of R1 534 million (31 March 2020: R1 534 million; 30 September 2019: R1 534 million), which was previously reported within share premium, is now reported within perpetual preference shares in issue. The prior periods have been re-presented to reflect the same basis. The re-presentation of software and the perpetual preference share premium was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

	Ordinary share capital	Share premium
At 1 April 2019	**32**	**13 351**
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 declared to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Disposal of group operations	–	–
Net equity movements of interests in associated undertaking	–	–
Capital contribution from group companies	–	–
Other equity movements	–	–
At 30 September 2019	**32**	**13 351**
Movement in reserves 1 October 2019 – 31 March 2020		
Profit after taxation	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–
Gain on realisation of debt instruments at FVOCI recycled through the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–
Net gain attributable to own credit risk	–	–
Total comprehensive income for the period	**–**	**–**
Issue of ordinary shares	–	899
Dividends paid to ordinary shareholders	–	–
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Capital contribution from group companies	–	–
Employee benefit liability recognised	–	–
Other equity movements	–	–
At 31 March 2020	**32**	**14 250**
Movement in reserves 1 April 2020 – 30 September 2020		
Profit after taxation	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–
Gain on realisation of debt instruments at FVOCI recycled through the income statement	–	–
Foreign currency adjustments on translating foreign operations	–	–
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	–	–
Net loss attributable to own credit risk	–	–
Total comprehensive income for the period	**–**	**–**
Dividends declared to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	–	–
Capital contribution to group companies	–	–
Other equity movements	–	–
At 30 September 2020	**32**	**14 250**

	Other reserves											
	Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Own credit risk reserve	Foreign currency reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference shares issued by the holding company	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
	(104)	**770**	**(932)**	**25**	**2 031**	**24 597**	**39 770**	**1 534**	**41 304**	**460**	**(4)**	**41 760**
	—	—	—	—	—	2 511	2 511		2 511	—	—	2 511
	—	—	(354)	—	—	—	(354)	—	(354)	—	—	(354)
	184	—	—	—	—	—	184	—	184	—	—	184
	(34)	—	—	—	—	—	(34)	—	(34)	—	—	(34)
	—	—	—	—	276	—	276	—	276	—	—	276
	(97)	—	—	—	—	—	(97)	—	(97)	—	—	(97)
	—	—	—	(2)	—	—	(2)	—	(2)	—	—	(2)
	53	**–**	**(354)**	**(2)**	**276**	**2 511**	**2 484**	**–**	**2 484**	**–**	**–**	**2 484**
	—	—	—	—	—	(93)	(93)	65	(28)	28	—	—
	—	—	—	—	—	—	—	(65)	(65)	(28)	—	(93)
	—	—	—	—	—	(4)	(4)	—	(4)	—	4	—
	—	—	—	—	—	(44)	(44)	—	(44)	—	—	(44)
	—	—	—	—	—	(163)	(163)	—	(163)	—	—	(163)
	—	(32)	—	—	—	32	—	—	—	—	—	—
	(51)	**738**	**(1 286)**	**23**	**2 307**	**26 836**	**41 950**	**1 534**	**43 484**	**460**	**–**	**43 944**
	—	—	—	—	—	579	579	—	579	—	—	579
	—	—	(265)	—	—	—	(265)	—	(265)	—	—	(265)
	(2 092)	—	—	—	—	—	(2 092)	—	(2 092)	—	—	(2 092)
	(45)	—	—	—	—	—	(45)	—	(45)	—	—	(45)
	—	—	—	—	1 014	—	1 014	—	1 014	—	—	1 014
	(1 090)	—	—	—	—	—	(1 090)	—	(1 090)	—	—	(1 090)
	—	—	—	3	—	—	3	—	3	—	—	3
	(3 227)	**–**	**(265)**	**3**	**1 014**	**579**	**(1 896)**	**–**	**(1 896)**	**–**	**–**	**(1 896)**
	—	—	—	—	—	—	899	—	899	—	—	899
	—	—	—	—	—	(1 050)	(1 050)	—	(1 050)	—	—	(1 050)
	—	—	—	—	—	(93)	(93)	65	(28)	28		—
	—	—	—	—	—	—	—	(65)	(65)	(28)	—	(93)
	—	—	—	—	—	77	77	—	77	—	—	77
	—	—	—	—	—	(133)	(133)	—	(133)	—	—	(133)
	—	(43)	—	—	—	43	—	—	—	—	—	—
	(3 278)	**695**	**(1 551)**	**26**	**3 321**	**26 259**	**39 754**	**1 534**	**41 288**	**460**	**–**	**41 748**
	—	—	—	—	—	1 707	1 707	—	1 707	—	—	1 707
	—	—	(75)	—	—	—	(75)	—	(75)	—	—	(75)
	1 195	—	—	—	—	—	1 195	—	1 195	—	—	1 195
	(6)	—	—	—	—	—	(6)	—	(6)	—	—	(6)
	—	—	—	—	(441)	—	(441)	—	(441)	—	—	(441)
	323	—	—	—	—	—	323	—	323	—	—	323
	—	—	—	(13)	—	—	(13)	—	(13)	—	—	(13)
	1 512	**–**	**(75)**	**(13)**	**(441)**	**1 707**	**2 690**	**–**	**2 690**	**–**	**–**	**2 690**
	—	—	—	—	—	(86)	(86)	63	(23)	23	—	—
	—	—	—	—	—	—	—	(63)	(63)	(23)	—	(86)
	—	—	—	—	—	13	13	—	13	—	—	13
	—	30	—	—	—	(30)	—	—	—	—	—	—
	(1 766)	**725**	**(1 626)**	**13**	**2 880**	**27 863**	**42 371**	**1 534**	**43 905**	**460**	**–**	**44 365**

Condensed consolidated cash flow statement

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Cash inflow from operations	2 261	2 715	4 827
Increase in operating assets	(23 920)	(4 277)	(32 482)
(Decrease)/increase in operating liabilities	(7 924)	4 804	58 546
Net cash (outflow)/inflow from operating activities	(29 583)	3 242	30 891
Net cash inflow/(outflow) from investing activities	10	(62)	(248)
Net cash outflow from financing activities*	(125)	(1 836)	(3 590)
Effects of exchange rate changes on cash and cash equivalents	(346)	244	1 092
Net (decrease)/increase in cash and cash equivalents	**(30 044)**	**1 588**	**28 145**
Cash and cash equivalents at the beginning of the period	58 899	30 754	30 754
Cash and cash equivalents at the end of the period	**28 855**	**32 342**	**58 899**

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

*** Net cash outflow from financing activities comprises:**

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Proceeds on issue of shares, net of related costs	—	—	899
Repayment of subordinated liabilities	—	(1 681)	(3 175)
Dividends paid	(86)	(93)	(1 236)
Lease liabilities paid	(39)	(62)	(78)
Net cash outflow from financing activities	**(125)**	**(1 836)**	**(3 590)**

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 2020 are consistent with those adopted in the financial statements for the year ended 31 March 2020.

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	2020 Average balance sheet value	2020 Interest income	2020 Average yield	2019 Average balance sheet value	2019 Interest income	2019 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	169 513	3 184	3.76%	131 049	4 233	6.46%
Core loans and advances	2	281 640	10 811	7.68%	269 323	13 050	9.69%
Private client		194 136	7 463	7.69%	185 230	9 069	9.79%
Corporate, institutional and other clients		87 504	3 348	7.65%	84 093	3 981	9.47%
Other debt securities and other loans and advances		16 952	540	6.37%	13 785	365	5.30%
Other	3	19 557	189	n/a	20 876	226	n/a
Total interest-earning assets		**487 662**	**14 724**	**6.04%**	**435 033**	**17 874**	**8.22%**

For the six months to 30 September R'million	Notes	2020 Average balance sheet value	2020 Interest expense	2020 Average yield	2019 Average balance sheet value	2019 Interest expense	2019 Average yield
Deposits by banks and other debt related securities	4	70 326	(933)	2.65%	46 968	969	4.13%
Customer accounts (deposits)		367 931	(8 998)	4.89%	343 574	11 788	6.86%
Subordinated liabilities		12 020	(420)	6.99%	13 814	553	8.01%
Other	5	4 407	(135)	n/a	4 244	182	n/a
Total interest-bearing liabilities		**454 684**	**(10 486)**	**4.61%**	**408 600**	**13 492**	**6.60%**
Net interest income			**4 238**			**4 382**	
Net interest margin			**1.74%**			**2.01%**	

We have changed our methodology for calculating net interest margin whereby this is now calculated using a straight-line thirteen point (full year) or seven point (half year) average rather than a straight-line two point average previously. Under the previous methodology the net interest margin for the six months to 30 September 2020 would have been: 1.77% (Sept 2019: 1.99%)

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

Net fee and commission income

For the six months to 30 September R'million	2020	2019
Corporate and institutional transactional and advisory services	538	706
Private client transactional fees	531	686
Fee and commission income	1 069	1 392
Fee and commission expense	(210)	(311)
Net fee and commission income	**859**	**1 081**
Annuity fees (net of fees payable)	636	760
Deal fees	223	321

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 share	Investment portfolio	Debt securities (sovereign bank and other)	Other asset categories	Total
2020							
Realised	1	9	10	20	8	—	28
Unrealised^	198	(51)	—	147	11	5	163
Dividend income	118	17	—	135	—	—	135
Funding and other net related costs	—	(13)	—	(13)	—	—	(13)
	317	**(38)**	**10**	**289**	**19**	**5**	**313**
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**

^ 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 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation	1 707	2 511	3 090
Dividend paid to perpetual preference shareholders and Additional Tier 1 security holders	(86)	(93)	(186)
Earnings attributable to ordinary shareholders	**1 621**	**2 418**	**2 904**
Headline adjustments, net of taxation^	–	–	940
Impairment of goodwill	–	–	3
Impairment of associate	–	–	937
Headline earnings attributable to ordinary shareholders	**1 621**	**2 418**	**3 844**

^ All periods are net of taxation of Rnil.

Expected credit loss impairment charges

For the six months to 30 September **R'million**	**2020**	2019
Expected credit loss impairment charges are recognised on the following assets:		
Loans and advances to customers	497	233
Own originated securitised assets	8	11
Core loans	505	244
Other balance sheet assets	15	24
Off balance sheet commitments and guarantees	12	3
	532	**271**

Analysis of financial assets and liabilities by measurement category

At 30 September 2020 **R'million**	Total instruments at fair value	Financial instruments at amortised cost	Non-financial instruments or scoped out IFRS 9	**Total**
Assets				
Cash and balances at central banks	—	12 064	—	12 064
Loans and advances to banks	—	29 476	—	29 476
Non-sovereign and non-bank cash placements	241	7 599	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	19 883	18 055	—	37 938
Sovereign debt securities	65 489	7 030	—	72 519
Bank debt securities	7 275	4 043	—	11 318
Other debt securities	8 989	6 517	—	15 506
Derivative financial instruments	21 403	—	—	21 403
Securities arising from trading activities	3 147	—	—	3 147
Investment portfolio	6 270	—	—	6 270
Loans and advances to customers	23 755	248 917	—	272 672
Own originated loans and advances to customers securitised	—	6 636	—	6 636
Other loans and advances	—	217	—	217
Other securitised assets	—	208	—	208
Interests in associated undertakings	—	—	5 667	5 667
Deferred taxation assets	—	—	2 693	2 693
Other assets	1 321	1 947	2 830	6 098
Property and equipment	—	—	2 847	2 847
Investment properties	—	—	1	1
Goodwill	—	—	178	178
Other intangible assets	—	—	141	141
Software	—	—	128	128
Loans to group companies	773	13 836	—	14 609
	158 546	**356 545**	**14 485**	**529 576**
Liabilities				
Deposits by banks	—	35 913	—	35 913
Derivative financial instruments	18 278	—	—	18 278
Other trading liabilities	4 758	—	—	4 758
Repurchase agreements and cash collateral on securities lent	8 933	23 751	—	32 684
Customer accounts (deposits)	34 444	330 622	—	365 066
Debt securities in issue	—	3 148	—	3 148
Liabilities arising on securitisation of own originated loans and advances	—	1 576	—	1 576
Current taxation liabilities	—	—	498	498
Deferred taxation liabilities	—	—	40	40
Other liabilities	1 214	1 996	3 804	7 014
Loans from group companies	—	4 329	—	4 329
	67 627	**401 335**	**4 342**	**473 304**
Subordinated liabilities	—	11 907	—	11 907
	67 627	**413 242**	**4 342**	**485 211**

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 2020 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	241	—	241	—
Reverse repurchase agreements and cash collateral on securities borrowed	19 883	—	19 883	—
Sovereign debt securities	65 489	65 489	—	—
Bank debt securities	7 275	4 895	2 380	—
Other debt securities	8 989	3 025	5 964	—
Derivative financial instruments	21 403	65	21 338	—
Securities arising from trading activities	3 147	3 115	32	—
Investment portfolio	6 270	3 084	52	3 134
Loans and advances to customers	23 755	—	23 098	657
Other assets	1 321	1 321	—	—
Loans to group companies	773	—	773	—
	158 546	**80 994**	**73 761**	**3 791**
Liabilities				
Derivative financial instruments	18 278	—	18 278	—
Other trading liabilities	4 758	204	4 554	—
Repurchase agreements and cash collateral on securities lent	8 933	—	8 933	—
Customer accounts (deposits)	34 444	—	34 444	—
Other liabilities	1 214	—	1 214	—
	67 627	**204**	**67 423**	**—**
Net financial assets at fair value	**90 919**	**80 790**	**6 338**	**3 791**

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 2020	3 180	665	3 845
Net losses recognised in the income statement	(46)	—	(46)
Purchases	246	—	246
Sales	(224)	(8)	(232)
Settlements	(21)	—	(21)
Foreign exchange adjustments	(1)	—	(1)
Balance at 30 September 2020	**3 134**	**657**	**3 791**

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 2020 **R'million**	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Investment (loss)/income	(46)	8	(54)
	(46)	**8**	**(54)**

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

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

					Potential impact on the income statement	
At 30 September 2020	**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	3 134				**423**	**(481)**
		Price earnings	EBITDA	*	312	(242)
		Discounted cash flow	Discount rate	(0.6%)/1.4%	16	(21)
		Discounted cash flow	Cash flows	**	25	(25)
		Net asset value	Underlying asset value	^	43	(111)
		Discounted cash flow	Precious and industrial metal price	(6%)/6%	16	(27)
		Other	Various	**	11	(55)
Loans and advances to customers	657				**47**	**(75)**
		Discounted cash flow	Cash flows	**	42	(70)
		Net asset value	Underlying asset value	^	5	(5)
Total	**3 791**				**470**	**(556)**

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

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

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

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

Measurement of fair value financial assets and liabilities at level 2

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

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price Discounted cash flow model	Liquidity adjustment Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
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 2020 **R'million**	**Carrying amount**	Fair value
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	18 055	18 052
Sovereign debt securities	7 030	7 152
Bank debt securities	4 043	4 195
Other debt securities	6 517	6 497
Loans and advances to customers	248 917	248 988
Liabilities		
Deposits by banks	35 913	36 160
Repurchase agreements and cash collateral on securities lent	23 751	23 847
Customer accounts (deposits)	330 622	330 629
Debt securities in issue	3 148	3 193
Subordinated liabilities	11 907	13 705

Events after the reporting period

The significant judgements and estimates applied to prepare the interim financial statements as at 30 September 2020 reflected the impact of COVID-19 and the resulting impact on the economy as at the balance sheet date. These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of COVID-19 and by applying the guidance issued by various international regulators and standard setting bodies.

The action of various governments and central banks, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict. Subsequent to the balance sheet date, it was announced that various vaccine trials proved to be more than 90% effective and resultingly had a very positive impact on global markets. It still remains very difficult to predict when a full scale role out of the vaccine will take place. In South Africa various government and social programmes were launched, aimed at reducing the impact of COVID-19 and to stimulate the economy.

The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 18 November 2020 did not identify additional information that requires these judgements and estimates to be updated. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations.

The group is further not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

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 2020.

Credit and counterparty risk management

Credit and counterparty risk description

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

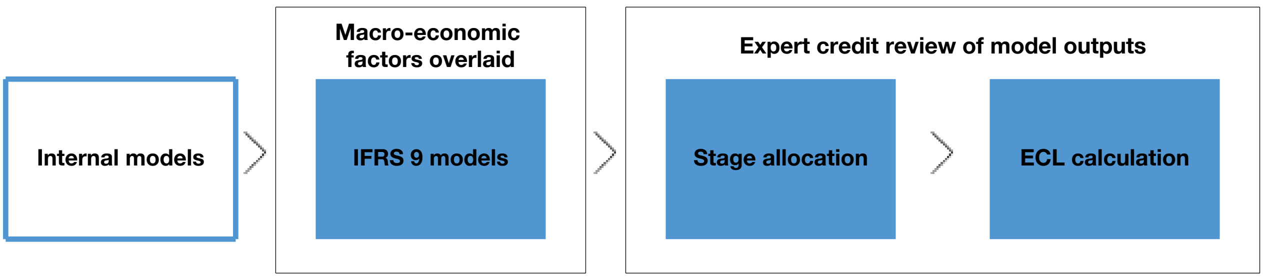
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the bank's ECL methodology, which are not considered to have 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).

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.

Key judgements at 30 September 2020

Following the onset of the COVID-19 pandemic, a management overlay and updated macro-economic scenarios were considered the most appropriate way to capture the worsened economic environment, given the significant levels of uncertainty and lack of supportable economic information to produce robust forecasts at the time. While there has been some improvement in the economic environment since the easing of the lockdown restrictions, uncertainty still remains. For this reason, management has decided to retain the R190 million overlay raised at 31 March 2020. This will be reassessed in time as new economic information is released and as the consequence of the recent resurgence of infection rates in other countries and the possibility that South Africa may experience a similar resurgence, materialises.

Measurement of uncertainty and key judgements

Forward-looking macro-economic scenario

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

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

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

The impact of the COVID-19 pandemic has been severe and unprecedented. With second waves of infections now occurring around the globe, it is still uncertain as to how long it will take to contain the virus, or how long the global economy will be negatively impacted, with several years of recovery seen to be needed to return to the pre COVID-19 levels of economic activity. While the temporary, sharp global economic slowdown and financial market turmoil of earlier this year has been replaced by some green shoots of recovery, deep scarring of economies remain.

The base case foresees economic recoveries continue globally and domestically from the second quarter of this fiscal year, underpinned by sufficient monetary and other policy supports. However, recovery is not expected to be quick, or V shaped. Debt accumulation globally has been substantial, and many countries' government finances have deteriorated. South Africa's public finances were already markedly deteriorated before COVID-19 and its impact struck. South Africa is expected to effect fiscal repair to its finances over the medium term, and so remains at a BB rating from the three key credit rating agencies as debt to GDP stabilisation occurs in the medium term. While expropriation of property without compensation has seen some recent legislative development, it can still have various outcomes, and the base case remains one where the impact on the economy and market sentiment is not materially negative. As at 30 September 2020, the scenario weighting of the expected case was 47%, but at 31 March 2020 the scenario weighting of the base case was 43% as the global crisis was beginning, and the environment was highly uncertain.

Turning to the characterisation of the lite down case scenario, the international environment (including risk sentiment) is the same as the base case, but the domestic environment differs. In this scenario, South Africa fails to see its debt projections stabilise and falls into single B ratings from all of the three key credit rating agencies for its local and foreign currency long-term debt. Business confidence is depressed, Rand weakness occurs, as does significant load shedding and weak investment growth and recession occurs again. Expropriation of some private commercial sector property without compensation occurs, with a negative impact on the economy. Ultimately, substantial fiscal consolidation is achieved, preventing a drop into the C grades.

At 30 September 2020 the scenario weighting of the lite down case was 46%, at 31 March 2020 it was 42% as government finances were not, at that time, detailed to experience as extreme projected deterioration as they have been since.

The severe down case is characterised by a lengthy global recession and financial crisis, with insufficient monetary and other policy supports to growth domestically and internationally. A depression occurs in the South African economy, with unprecedented Rand weakness. South Africa is rated single B from all three key credit rating agencies, with further downgrades occurring into the C grade categories as public finances continue deteriorating. Debt elevates and fails to stabilise. The government borrows from increasingly wide sources as it sinks deeper into a debt trap, with widespread load shedding of all state services, strike action and severe civil unrest occurs. Nationalisation of private sector property under expropriation without compensation occurs with severe negative impacts for the economy.

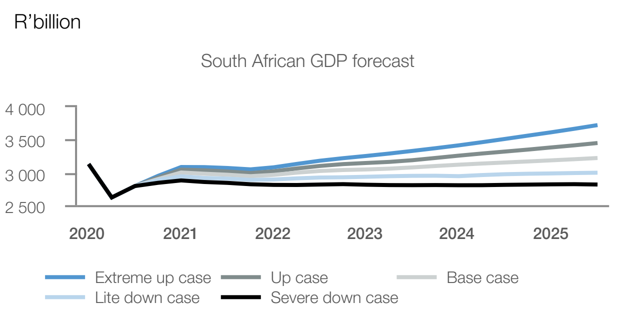
At 30 September 2020 the scenario weighting of the severe down case was 3%, at 31 March 2020 the weighting was 10%. The recovery in the global and domestic economy has prompted the lowering of the weighting, rather than any reduction of the domestic credit risk.

The up case is depicted by a relatively quick rebound from the COVID-19 pandemic globally and domestically, with rising confidence and investment levels. South Africa's structural problems are worked down and no further credit rating downgrades occur. The rating outlooks eventually become positive, with strong fiscal consolidation government debt projections falling substantially. Global risk-on occurs and global demand quickly returns to trend growth. There is no negative impact of expropriation without compensation on the economy.

At 30 September 2020 the scenario weighting of the up case was 3%, at 31 March 2020 the weighting was 4%. There is not a rapid, or V shaped, recovery manifesting globally or domestically, and the low probability has been lowered further.

The extreme up case is an acceleration of the up case, where the COVID-19 pandemic is resolved very rapidly. Domestically, good governance and growth-creating reforms occur, structural constraints are overcome and very strong fiscal consolidation sees government debt fall back to the low ratios of the 2000s. Additionally, property rights are strengthened and no nationalisation occurs. A high level of business confidence and fixed investment growth ensues, with substantial foreign direct investment inflows. Domestically, economic growth of 3-5%, then 5-7% is achieved and credit rating upgrades occur. Strong global growth and a commodity boom are also characteristics of this scenario. At 30 September 2020 the scenario weighting of the up case was 1%, as it was at 31 March 2020, as the domestic characterisation remains largely unlikely in the five-year period currently.

The graph below depicts the forecasted South African GDP growth under the macro-economic scenarios applied at 30 September 2020.



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

Macro-economic scenarios

	At 30 September 2020 average 2020 – 2025					At 31 March 2020 average 2020 – 2025				
	Extreme up case	**Up case**	**Base case**	**Lite down case**	**Severe down case**	Extreme up case	Up case	Base case	Lite down case	Severe down case
Macro-economic scenarios	**%**	**%**	**%**	**%**	**%**	%	%	%	%	%
GDP growth	3.9	2.5	1.3	0.0	(1.1)	3.7	2.6	0.8	0.2	(0.5)
Repo rate	3.3	3.9	4.7	4.9	6.1	4.8	5.1	5.8	6.0	7.6
Bond yield	9.5	9.9	10.5	10.8	11.2	9.1	9.4	9.9	10.5	11.8
Residential property price growth	5.8	4.7	3.9	3.3	2.2	7.4	4.1	2.6	1.9	0.2
Commercial property prices growth	1.9	0.7	(0.7)	(1.5)	(2.2)	4.1	2.0	0.1	(1.8)	(4.3)
Exchange rates (South African Rand:USD Dollar)	11.8	13.1	15.7	16.9	19.8	9.7	11.7	14.8	16.9	18.2
Scenario weightings	**1**	**3**	**47**	**46**	**3**	**1**	**4**	**43**	**42**	**10**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 30 September 2020.

	Financial years				
Base case %	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
GDP growth	(10.1)	4.8	2.1	2.1	2.3
Repo rate	3.6	4.3	4.8	5	5.1
Bond yield	9.9	10.2	10.6	10.7	11
Residential property price growth	2	2.6	3.5	4.7	5.2
Commercial property price growth	(8.1)	(1.8)	0.5	1	1.5
Exchange rate (South African Rand:US Dollar)	16.8	15.3	15.2	15.6	15.9

The table below shows percentage change in forecast economic factors for the two downside scenarios from the end of the fourth quarter 2019 based on the economic forecasts in place as at 30 September 2020.

	Financial years				
% change since Q4 2019	**2020/2021**	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**
GDP					
Lite down case	(6.4)	(8.0)	(6.7)	(6.4)	(5.0)
Severe down case	(8.4)	(10.6)	(10.5)	(10.8)	(10.4)
Residential property prices					
Lite down case	1.2	3.5	7.1	11.9	17.1
Severe down case	0.5	1.6	3.7	6.4	10.0
Commercial property prices					
Lite down case	(7.3)	(9.4)	(9.3)	(8.8)	(7.8)
Severe down case	(8.6)	(11.1)	(11.6)	(11.6)	(11.3)

An analysis of gross core loans, asset quality and ECL

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

Gross core loans decreased by R4.1 billion since 31 March 2020 to R283.2 billion (2.8%) annualised. The decrease was due to lower originations year on year, coupled with repayments, mainly in the corporate portfolio.

As anticipated, we have seen a deterioration in the asset quality ratios. Stage 2 exposures increased by R3.0 billion. The increase was due to model-driven migrations from updated macro-economic scenarios, mainly in the mortgage portfolio and a few single name exposures particularly affected by COVID-19.

Stage 3 exposures increased by R2.5 billion to R6.9 billion or 2.4% of gross core loans subject to ECL at 30 September 2020 (1.5% at 31 March 2020). The increase relates to the migration of a number of deals across various sectors. Stage 3 coverage ratio totals 33.8% and the remaining net exposure is considered well covered by collateral.

R'million	**30 Sept 2020**	31 March 2020
Gross core loans	**283 248**	287 305
*of which subject to ECL**	281 192	285 138
of which FVPL (excluding fixed rate loans above)	2 056	2 167
Gross core loans subject to ECL	**281 192**	285 138
Stage 1	256 182	265 674
Stage 2	18 128	15 111
of which past due greater than 30 days	*596*	*1 297*
Stage 3	6 882	4 353
ECL	**(3 940)**	(3 359)
Stage 1	(1 182)	(1 056)
Stage 2	(435)	(423)
Stage 3	(2 323)	(1 880)
Coverage ratio		
Stage 1	0.5%	0.4%
Stage 2	2.4%	2.8%
Stage 3	33.8%	43.2%
Annualised credit loss ratio	**0.36%**	**0.37%**
ECL impairment charges on core loans	(505)	(1 021)
Average gross core loans subject to ECL	283 164	277 630
A analysis of Stage 3 core loans subject to ECL		
Stage 3 net of ECL	4 559	2 473
Aggregate collateral and other credit enhancements on Stage 3	5 008	2 696
Stage 3 as a % of gross core loans subject to ECL	2.4%	1.5%
Total ECL as a % of Stage 3 exposure	57.3%	77.2%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.6%	0.9%

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

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

The table below provides information on stage and ECL movement for gross core loans subject to ECL from 31 March 2020 to 30 September 2020. 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. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2020.

Further analysis as at 30 September 2020 of gross core loans subject to ECL and their ECL balances is shown in 'An analysis of core loans 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 2020	**265 673**	**(1 056)**	**15 111**	**(423)**	**4 353**	**(1 880)**	**285 137**	**(3 359)**
Transfer from Stage 1	(10 144)	47	9 504	(40)	640	(7)	—	—
Transfer from Stage 2	3 347	(49)	(5 298)	137	1 951	(88)	—	—
Transfer from Stage 3	50	(29)	50	(11)	(100)	40	—	—
ECL remeasurement arising from transfer of stage	—	39	—	(141)	—	(210)	—	(312)
New lending net of repayments (includes assets written off)	(2 513)	1	(1 208)	17	55	(6)	(3 666)	12
Changes to risk parameters and models	—	(144)	—	25	—	(177)	—	(296)
Foreign exchange and other	(231)	9	(31)	1	(17)	5	(279)	15
At 30 September 2020	**256 182**	**(1 182)**	**18 128**	**(435)**	**6 882**	**(2 323)**	**281 192**	**(3 940)**

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
31 March 2019	**255 769**	**(538)**	**10 768**	**(441)**	**3 585**	**(1 691)**	**270 122**	**(2 670)**
Transfer from Stage 1	(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 core loans by risk category – Lending collateralised by property

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2020										
Commercial real estate	**42 210**	**(335)**	**2 748**	**(32)**	**605**	**(77)**	**45 563**	**(444)**	**–**	**45 563**
Commercial real estate – investment	38 126	(309)	2 522	(28)	605	(77)	41 253	(414)	–	41 253
Commercial real estate – development	3 480	(23)	157	(2)	–	–	3 637	(25)	–	3 637
Commercial vacant land and planning	604	(3)	69	(2)	–	–	673	(5)	–	673
Residential real estate	**4 435**	**(27)**	**42**	**(3)**	**5**	**(2)**	**4 482**	**(32)**	**–**	**4 482**
Residential real estate – development	3 845	(23)	23	(1)	–	–	3 868	(24)	–	3 868
Residential vacant land and planning	590	(4)	19	(2)	5	(2)	614	(8)	–	614
Total lending collateralised by property	**46 645**	**(362)**	**2 790**	**(35)**	**610**	**(79)**	**50 045**	**(476)**	**–**	**50 045**
Coverage ratio	**0.78%**		**1.3%**		**13.0%**		**1.0%**			
At 31 March 2020										
Commercial real estate	**43 464**	**(305)**	**1 315**	**(4)**	**543**	**(100)**	**45 322**	**(409)**	**–**	**45 322**
Commercial real estate – investment	38 249	(280)	1 305	(4)	542	(99)	40 096	(383)	–	40 096
Commercial real estate – development	4 369	(21)	–	–	–	–	4 369	(21)	–	4 369
Commercial vacant land and planning	846	(4)	10	–	1	(1)	857	(5)	–	857
Residential real estate	**3 974**	**(33)**	**51**	**(2)**	**20**	**(10)**	**4 045**	**(45)**	**–**	**4 045**
Residential real estate – development	3 353	(24)	31	–	–	–	3 384	(24)	–	3 384
Residential vacant land and planning	621	(9)	20	(2)	20	(10)	661	(21)	–	661
Total lending collateralised by property	**47 438**	**(338)**	**1 366**	**(6)**	**563**	**(110)**	**49 367**	**(454)**	**–**	**49 367**
Coverage ratio	**0.71%**		**0.4%**		**19.5%**		**0.9%**			

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2020										
Mortgages	74 197	(85)	4 569	(120)	1 534	(335)	80 300	(540)	—	80 300
High net worth and specialised lending	63 938	(335)	1 489	(36)	1 437	(612)	66 864	(983)	—	66 864
Total high net worth and other private client lending	**138 135**	**(420)**	**6 058**	**(156)**	**2 971**	**(947)**	**147 164**	**(1 523)**	—	**147 164**
Coverage ratio	**0.30%**		**2.6%**		**31.9%**		**1.0%**			
At 31 March 2020										
Mortgages	76 473	(93)	2 454	(56)	1 204	(290)	80 131	(439)	—	80 131
High net worth and specialised lending	64 342	(261)	2 061	(126)	499	(421)	66 902	(808)	—	66 902
Total high net worth and other private client lending	**140 815**	**(354)**	**4 515**	**(182)**	**1 703**	**(711)**	**147 033**	**(1 247)**	—	**147 033**
Coverage ratio	**0.25%**		**4.0%**		**41.7%**		**0.8%**			

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

	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2020										
Acquisition finance	10 592	(39)	3 121	(76)	59	(16)	13 772	(131)	—	13 772
Asset-based lending	5 918	(63)	479	(14)	1 479	(1 237)	7 876	(1 314)	604	8 480
Fund finance	6 346	(20)	—	—	—	—	6 346	(20)	—	6 346
Other corporate and financial institutions and governments	39 652	(252)	4 442	(142)	1 483	(41)	45 577	(435)	1 452	47 029
Asset finance	3 043	(10)	54	(3)	280	(3)	3 377	(16)	—	3 377
Small ticket asset finance	2 193	(3)	—	—	34	—	2 227	(3)	—	2 227
Large ticket asset finance	850	(7)	54	(3)	246	(3)	1 150	(13)	—	1 150
Power and infrastructure finance	5 851	(16)	1 184	(9)	—	—	7 035	(25)	—	7 035
Resource finance	—	—	—	—	—	—	—	—	—	—
Total corporate and other lending	**71 402**	**(400)**	**9 280**	**(244)**	**3 301**	**(1 297)**	**83 983**	**(1 941)**	**2 056**	**86 039**
Coverage ratio	**0.56%**		**2.6%**		**39.3%**		**2.3%**			
At 31 March 2020										
Acquisition finance	11 110	(36)	823	(32)	82	(19)	12 015	(87)	—	12 015
Asset-based lending	6 122	(44)	803	(28)	1 136	(951)	8 061	(1 023)	—	8 061
Fund finance	8 408	(26)	—	—	—	—	8 408	(26)	—	8 408
Other corporate and financial institutions and governments	43 024	(238)	5 982	(164)	541	(89)	49 547	(491)	2 167	51 714
Asset finance	3 288	(6)	42	—	328	—	3 658	(6)	—	3 658
Small ticket asset finance	1 953	(2)	42	—	—	—	1 995	(2)	—	1 995
Large ticket asset finance	1 335	(4)	—	—	328	—	1 663	(4)	—	1 663
Power and infrastructure finance	5 430	(14)	1 481	(11)	—	—	6 911	(25)	—	6 911
Resource finance	39	—	99	—	—	—	138	—	—	138
Total corporate and other lending	**77 421**	**(364)**	**9 230**	**(235)**	**2 087**	**(1 059)**	**88 738**	**(1 658)**	**2 167**	**90 905**
Coverage ratio	**0.47%**		**2.5%**		**50.7%**		**1.9%**			

An analysis of COVID-19 relief measures and vulnerable sectors

Government schemes

On 21 April 2020, a R200 billion COVID-19 government loan guarantee scheme in partnership with the major banks, National Treasury and the South African PA was announced. This COVID-19 loan guarantee scheme has been operating since 12 May 2020. Investec actively participated in the programme and has approved a total amount of R612 million, of which R401 million was advanced as at 30 September 2020. There were material conditions imposed in relation to these COVID-19 loans, such as the qualification, repayment terms, interest conditions, utilisation and disbursements.

An analysis of COVID-19 relief measures

We have sought to help our clients wherever possible, including South African small and medium-sized enterprises (SMEs), our banking clients, corporates and others, providing COVID-19 relief measures including covenant waivers, interest-only and capital deferrals to assist during COVID-19 induced lockdowns and the significant slow-down in economic activity. We have structured different types of support to most appropriately suit diverse client needs. We remain in close contact with each of these clients, and are constantly monitoring the situation. As lockdown restrictions have eased, we have seen an overall slowdown in new relief requests as well as improved performance reducing net amount of active relief. COVID-19 relief measures currently in place have reduced from a cumulative relief of 23.0% of gross core loans since the onset of COVID-19 to 3.3% at 30 September 2020. Exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages.

	30 September 2020		
R'million	**Total gross core loans**	**Exposure with active COVID-19 relief**	**COVID-19 relief as a % of gross core loans by category**
Lending collateralised by property	**50 045**	**1 896**	**3.8%**
Commercial real estate	45 563	1 864	4.1%
Residential real estate	4 482	32	0.7%
High net worth and other private client lending	**147 164**	**1 910**	**1.3%**
Mortgages	80 300	972	1.2%
High net worth and specialised lending	66 864	938	1.4%
Corporate and other lending	**86 039**	**5 588**	**6.5%**
Total	**283 248**	**9 394**	**3.3%**

Analysis of COVID-19 vulnerable sectors

	30 September 2020					31 March 2020				
R'million	**Stage 1**	**Stage 2**	**Stage 3**	**FVPL**	**Total gross core loans**	**Stage 1**	**Stage 2**	**Stage 3**	**FVPL**	**Total gross core loans**
Aviation	3 126	509	503	—	4 138	3 275	537	359	—	4 171
Clothing retailers#	573	—	60	50	683	343	—	216	50	609
Hotels	2 015	91	100	—	2 206	1 785	76	104	—	1 965
Automotive manufacturers and suppliers^	458	—	—	—	458	149	—	—	—	149
Gaming and leisure	51	2 913	284	—	3 248	2 703	—	274	—	2 977
Trade finance	2 508	212	256	—	2 977	2 396	455	493	—	3 344
Total	**8 731**	**3 725**	**1 203**	**50**	**13 709**	**10 651**	**1 068**	**1 446**	**50**	**13 215**
Coverage ratio	**0.70%**	**1.36%**	**14.46%**	**—**	**2.09%**	**0.34%**	**2.41%**	**11.86%**	**—**	**1.77%**

Clothing retailers exclude general banking facilities (GBFs) of R850 million (30 September 2020: nil drawn, 31 March 2020: R471 million drawn).
^ Automotive manufacturers and suppliers exclude GBFs and corporate bonds of R1.3 billion (31 March 2020: R2.3 billion).

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 R577.7 billion at 30 September 2020. Cash and near cash balances amounted to R143.2 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities. There are Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 96% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	**30 Sept 2020**	31 March 2020
Cash and balances at central banks	11 711	36 390
Loans and advances to banks	29 468	18 054
Non-sovereign and non-bank cash placements	7 878	14 045
Reverse repurchase agreements and cash collateral on securities borrowed	37 939	26 427
Sovereign debt securities	72 522	64 362
Bank debt securities	11 322	12 270
Other debt securities	15 520	17 427
Derivative financial instruments	19 279	16 255
Securities arising from trading activities	2 955	3 045
Loans and advances to customers	276 588	280 097
Own originated loans and advances to customers securitised	6 660	7 208
Other loans and advances	242	267
Other assets	—	113
Total on-balance sheet exposures	**492 084**	**495 960**
Guarantees	14 789	17 313
Committed facilities related to loans and advances to customers	61 954	56 019
Contingent liabilities, letters of credit and other	8 833	9 380
Total off-balance sheet exposures	**85 576**	**82 712**
Total gross credit and counterparty exposures	**577 660**	**578 672**

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 2020 R'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL^	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	11 711	—	11 711	—	353	12 064
Loans and advances to banks	29 468	—	29 468	(3)	11	29 476
Non-sovereign and non-bank cash placement	7 878	241	7 637	(38)	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	37 939	19 883	18 056	(1)	—	37 938
Sovereign debt securities	72 522	7 856	64 666	(47)	—	72 475
Bank debt securities	11 322	329	10 993	(9)	—	11 313
Other debt securities	15 520	2 071	13 449	(21)	—	15 499
Derivative financial instruments	19 279	19 279	—	—	2 124	21 403
Securities arising from trading activities	2 955	2 955	—	—	192	3 147
Investment portfolio	—	—	—	—	6 270 *	6 270
Loans and advances to customers	276 588	23 866	252 722	(3 916)	—	272 672
Own originated loans and advances to customers securitised	6 660	—	6 660	(24)	—	6 636
Other loans and advances	242	—	242	(25)	—	217
Other securitised assets	—	—	—	—	208 ^^	208
Interest in associated undertakings	—	—	—	—	5 667	5 667
Deferred taxation assets	—	—	—	—	2 693	2 693
Other assets	—	—	—	—	6 098 **	6 098
Property and equipment	—	—	—	—	2 847	2 847
Investment properties	—	—	—	—	1	1
Goodwill	—	—	—	—	178	178
Intangible assets	—	—	—	—	141	141
Software	—	—	—	—	128	128
Loans to group companies	—	—	—	—	14 609	14 609
Total on-balance sheet exposures	**492 084**	**76 480**	**415 604**	**(4 084)**	**41 520**	**529 520**
Guarantees	14 789	—	14 789	(8)	1 031	15 812
Committed facilities related to loans and advances to customers	61 954	—	61 954	(68)	140	62 026
Contingent liabilities, letters of credit and other	8 833	3 816	5 017	—	16 179	25 012
Total off-balance sheet exposures	**85 576**	**3 816**	**81 760**	**(76)**	**17 350**	**102 850**
Total exposures	**577 660**	**80 296**	**497 364**	**(4 160)**	**58 870**	**632 370**

^ ECLs include R56 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 2020 R'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL^	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	36 390	—	36 390	(1)	267	36 656
Loans and advances to banks	18 054	—	18 054	(4)	—	18 050
Non-sovereign and non-bank cash placement	14 045	545	13 500	(31)	—	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	26 427	18 249	8 178	(1)	—	26 426
Sovereign debt securities	64 362	6 883	57 479	(39)	—	64 323
Bank debt securities	12 270	290	11 980	(11)	—	12 259
Other debt securities	17 427	3 736	13 691	(18)	—	17 409
Derivative financial instruments	16 255	16 255	—	—	1 179	17 434
Securities arising from trading activities	3 045	3 045	—	—	133	3 178
Investment portfolio	—	—	—	—	5 801 *	5 801
Loans and advances to customers	280 097	22 936	257 161	(3 343)	—	276 754
Own originated loans and advances to customers securitised	7 208	—	7 208	(16)	—	7 192
Other loans and advances	267	—	267	(25)	—	242
Other securitised assets	—	—	—	—	416 ^^	416
Interest in associated undertakings	—	—	—	—	5 662	5 662
Deferred taxation assets	—	—	—	—	2 903	2 903
Other assets	113	—	113	(1)	6 044	6 156
Property and equipment	—	—	—	—	3 008	3 008
Investment properties	—	—	—	—	1	1
Goodwill	—	—	—	—	178	178
Intangible assets	—	—	—	—	318	318
Loans to group companies	—	—	—	—	17 542	17 542
Total on-balance sheet exposures	**495 960**	**71 939**	**424 021**	**(3 490)**	**43 452**	**535 922**
Guarantees	17 313	—	17 313	(16)	978	18 275
Committed facilities related to loans and advances to customers	56 019	—	56 019	(48)	—	55 971
Contingent liabilities, letters of credit and other	9 380	4 642	4 738	—	14 993	24 373
Total off-balance sheet exposures	**82 712**	**4 642**	**78 070**	**(64)**	**15 971**	**98 619**
Total exposures	**578 672**	**76 581**	**502 091**	**(3 554)**	**59 423**	**634 541**

^ ECLs include R48 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 2020 R'million	Up to three months	Three to six month	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	11 711	—	—	—	—	—	11 711
Loans and advances to banks	28 944	503	—	21	—	—	29 468
Non-sovereign and non-bank cash placements	7 878	—	—	—	—	—	7 878
Reverse repurchase agreements and cash collateral on securities borrowed	33 461	1 601	98	2 125	654	—	37 939
Sovereign debt securities	13 295	8 690	9 649	14 130	21 556	5 202	72 522
Bank debt securities	—	130	597	5 183	5 412	—	11 322
Other debt securities	24	2 221	960	8 156	1 612	2 547	15 520
Derivative financial instruments	3 179	3 261	3 422	6 802	2 245	370	19 279
Securities arising from trading activities	108	98	120	997	231	1 401	2 955
Loans and advances to customers	27 415	15 440	33 878	151 909	31 009	16 937	276 588
Own originated loans and advances to customers securitised	—	4	1	53	713	5 889	6 660
Other loans and advances	242	—	—	—	—	—	242
Other assets	—	—	—	—	—	—	—
Total on-balance sheet exposures	**126 257**	**31 948**	**48 725**	**189 376**	**63 432**	**32 346**	**492 084**
Guarantees	689	755	5 065	8 085	3	192	14 789
Committed facilities related to loans and advances to customers	21 483	785	1 854	11 284	3 997	22 551	61 954
Contingent liabilities, letters of credit and other	1 895	285	755	4 564	192	1 142	8 833
Total off-balance sheet exposures	**24 067**	**1 825**	**7 674**	**23 933**	**4 192**	**23 885**	**85 576**
Total gross credit and counterparty exposures	**150 324**	**33 773**	**56 399**	**213 309**	**67 624**	**56 231**	**577 660**

Detailed analysis of gross credit and counterparty exposures by industry

At 30 September 2020 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	—	—	—	—	11 711	—	—
Loans and advances to banks	—	—	—	—	—	—	29 468
Non-sovereign and non-bank cash placements	—	—	650	—	—	832	2 576
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	64	36 681
Sovereign debt securities	—	—	—	—	72 522	—	—
Bank debt securities	—	—	—	—	—	—	11 322
Other debt securities	—	—	—	2 746	—	917	7 615
Derivative financial instruments	—	—	55	1 233	193	472	14 542
Securities arising from trading activities	—	—	—	80	1 725	—	1 010
Loans and advances to customers	140 505	50 045	3 296	7 381	3 142	8 074	19 329
Own originated loans and advances to customers securitised	6 659	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—
Total on-balance sheet exposures	**147 164**	**50 045**	**4 001**	**11 440**	**89 293**	**10 359**	**122 543**
Guarantees	5 463	1 738	12	1 006	2	50	3 376
Committed facilities related to loans and advances to customers	39 595	4 931	1 228	1 250	—	2 412	3 290
Contingent liabilities, letters of credit and other	2 674	925	49	501	1 336	54	238
Total off-balance sheet exposures	**47 732**	**7 594**	**1 289**	**2 757**	**1 338**	**2 516**	**6 904**
Total gross credit and counterparty exposures	**194 896**	**57 639**	**5 290**	**14 197**	**90 631**	**12 875**	**129 447**

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	11 711
—	—	—	—	—	—	—	—	—	29 468
388	866	292	494	—	364	25	431	960	7 878
7	—	—	240	—	95	—	852	—	37 939
—	—	—	—	—	—	—	—	—	72 522
—	—	—	—	—	—	—	—	—	11 322
5	1 451	—	494	—	—	—	944	1 348	15 520
33	144	—	1 856	—	305	198	18	230	19 279
27	44	—	—	—	—	—	69	—	2 955
5 638	8 343	1 425	9 946	—	2 231	3 536	7 683	6 014	276 588
—	—	—	1	—	—	—	—	—	6 660
—	55	—	—	187	—	—	—	—	242
—	—	—	—	—	—	—	—	—	—
6 098	**10 903**	**1 717**	**13 031**	**187**	**2 995**	**3 759**	**9 997**	**8 552**	**492 084**
279	2 340	177	102	—	107	23	30	84	14 789
2 867	1 420	198	1 055	—	1 063	18	1 426	1 201	61 954
150	196	5	10	3	629	—	24	2 039	8 833
3 296	**3 956**	**380**	**1 167**	**3**	**1 799**	**41**	**1 480**	**3 324**	**85 576**
9 394	**14 859**	**2 097**	**14 198**	**190**	**4 794**	**3 800**	**11 477**	**11 876**	**577 660**

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

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

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

Investment risk in the banking book

Investment risk in the banking book comprises 2.3% of total assets at 30 September 2020.

Summary of investments held and stress testing analyses

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

R'million	On-balance sheet value of investments 30 Sept 2020	Valuation change stress test 30 Sept 2020	On-balance sheet value of investments 31 Mar 2020	Valuation change stress test 31 Mar 2020*
Unlisted investments**	3 195	479	3 424	514
Listed equities	3 075	769	2 377	594
Investment and trading properties	96	19	31	6
The IEP Group^	5 626	844	5 611	842
Total	**11 992**	**2 111**	**11 443**	**1 956**

** Includes the fair value loans investments of R1.1 billion (31 March 2020: R1.1 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%

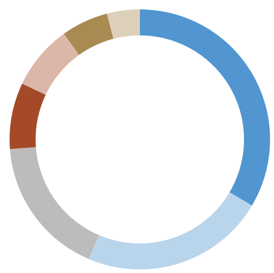
Stress testing summary

Based on the information at 30 September 2020, as reflected above, we could have a R2.1 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 and the IEP Group by industry (excluding investment and trading properties)

30 September 2020

R11 896 million



Manufacturing and commerce	33.5 %
Real estate	22.9 %
Finance and insurance	17.4 %
Mining and resources	8.3 %
Communication	8.0 %
Other	5.9 %
Electricity, gas and water (utility services)	4.1 %

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.

In line with the regulations, the bank applies a combination of the advanced and standardised approach in the assessment of regulatory capital for securitisation.

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

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

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

Total assets that have been originated and securitised by the Private Client division amount to R6.6 billion at 30 September 2020 (31 March 2020: R7.2 billion) and consist of residential mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.2 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.3 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R0.7 billion notes of the original R2.0 billion are still in issue. All notes are held internally
- Fox Street 4: R1.2 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.5 billion notes of the original R2.9 billion are still in issue. All notes are held internally
- Fox Street 6: R1.0 billion notes of the original R1.3 billion are still in issue. R365 million of the notes are held internally
- Fox Street 7: R1.0 billion notes of the original R1.1 billion are still in issue. R49 million of the notes are held internally.

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

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated US Corporate loans totalling R0.9 billion (31 March 2020: R1.0 billion), rated UK mortgage backed securities (RMBS), totalling R0.8 billion at 30 September 2020 (31 March 2020: R0.8 billion), unrated South African RMBS totalling R1.5 billion at 30 September 2020 (31 March 2020: R1.7 billion) and unrated South African commercial mortgage backed securities (CMBS), nil at 30 September 2020 (31 March 2020: R20 million).

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk. Assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

Securitisation/structured credit activities exposures

Nature of exposure/activity	Exposure 30 Sept 2020 R'million	Exposure 31 Mar 2020 R'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	3 188	3 413	Other debt securities	
Rated	1 738	1 754		
Unrated	1 450	1 659		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	161	175	Other loans and advances	
Private Client division assets which have been securitised (net exposure)	6 635	7 192	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans

Analysis of gross structured credit exposure

R'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US Corporate loans	—	900	—	—	—	—	900	—	900
UK RMBS	—	838	—	—	—	—	838	—	838
South African RMBS	—	—	—	—	—	—	—	1 450	1 450
South African CMBS	—	—	—	—	—	—	—	—	—
Total at 30 September 2020	**—**	**1 738**	**—**	**—**	**—**	**—**	**1 738**	**1 450**	**3 188**
Total at 31 March 2020	**—**	**1 754**	**—**	**—**	**—**	**—**	**1 754**	**1 659**	**3 413**

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 our clients. 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.

95% one-day VaR R'million	30 September 2020				31 March 2020			
	Period end	Average	High	Low	**Year end**	Average	High	Low
Commodities	0.1	0.2	0.6	—	0.1	0.1	0.3	—
Equities	7.5	5.3	9.8	3.3	4.7	4.1	8.7	3.0
Foreign exchange	0.5	1.2	8.4	0.1	1.3	2.2	6.5	0.7
Interest rates	6.0	4.6	7.7	2.4	2.9	2.3	5.4	0.8
Consolidated*	**11.1**	**7.7**	**12.8**	**4.6**	**6.5**	**5.1**	**9.5**	**3.2**

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

Expected shortfall

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

95% one-day ES R'million	30 Sept 2020 Period end	31 March 2020 Year end
Commodities	0.2	0.1
Equities	23.8	7.3
Foreign exchange	1.1	1.6
Interest rates	14.5	5.9
Consolidated*	**32.3**	**10.0**

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

Stressed VaR

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

R'million	30 Sept 2020 Period end	31 March 2020 Year end
99% one-day sVaR	**30.4**	**21.1**

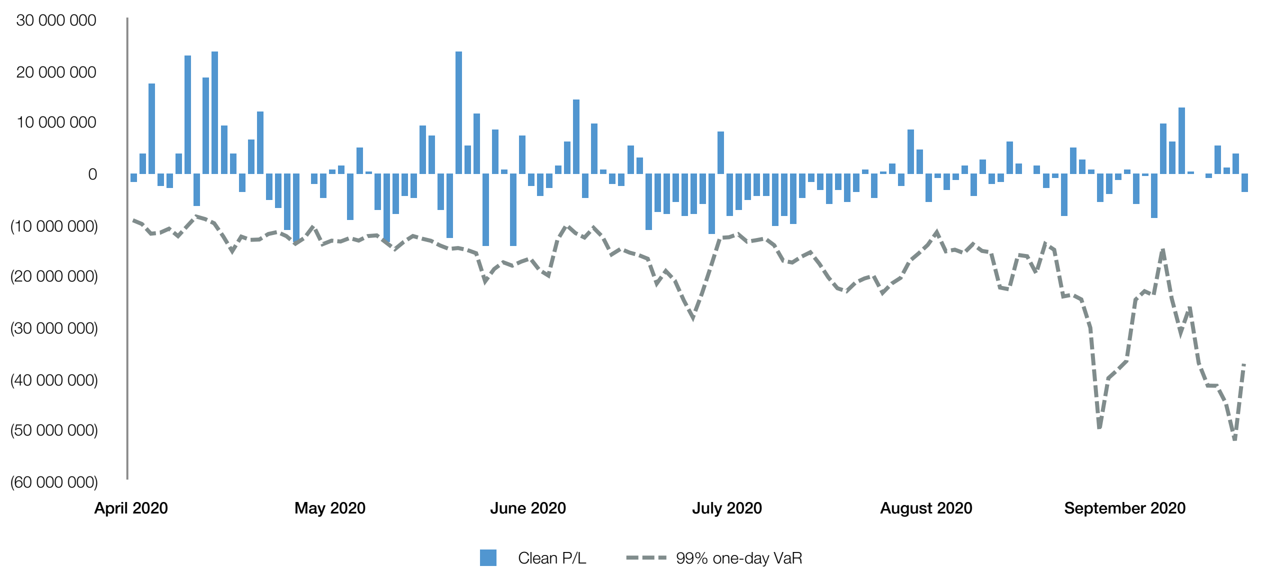
Backtesting

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

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

The average VaR for the six months to 30 September 2020 in the trading book was higher than for the year ended 31 March 2020 due to increased market volatility. Using clean profit and loss for backtesting resulted in zero exceptions over the period (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 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.

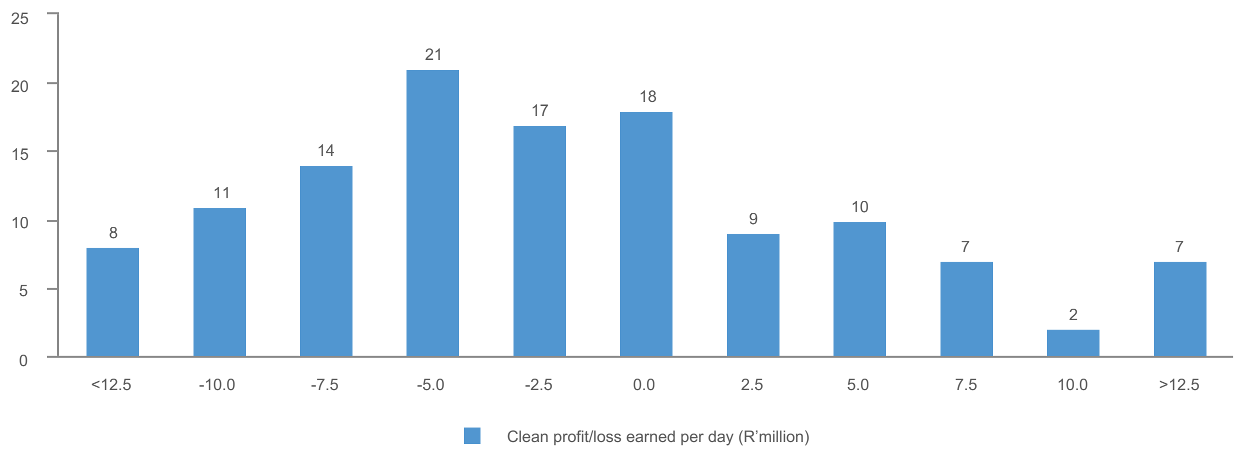
	30 September 2020				31 March 2020			
99% EVT R'million	**Period end**	Average	High	Low	**Year period**	Average	High	Low
Commodities	1.4	1.3	4.8	0.2	0.6	0.5	1.8	0.1
Equities	48.4	65.3	97.2	17.1	29.2	16.8	70.7	6.7
Foreign exchange	6.8	3.2	11.7	1.0	3.4	6.3	15.5	2.1
Interest rates	37.3	24.9	84.9	6.4	25.8	8.3	32.7	2.1
Consolidated#	**67.9**	65.3	97.9	17.1	**37.4**	**18.7**	**76.7**	**7.5**

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

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 53 days out of a total of 124 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2020 was R-0.5 million (six months to 30 September 2019: R2.1 million).

Clean profit and loss (excluding fees and hedge costs included in new trade revenue)
Frequency: Days in the period



Balance sheet risk management

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

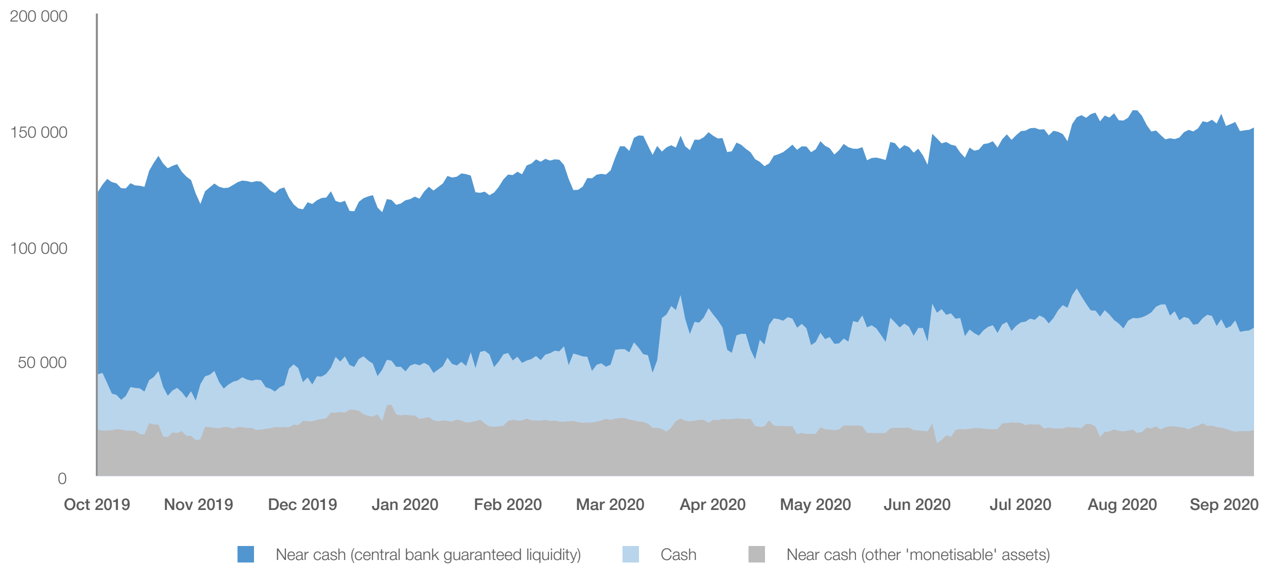
Liquidity risk

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

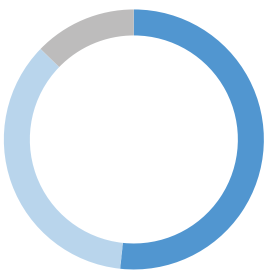
Liquidity risk is further broken down into:

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

Cash and near cash trend
R'million

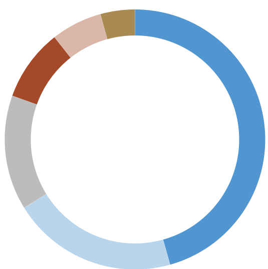


An analysis of cash and near cash at 30 September 2020
R143.2 billion



Central Bank cash placements and guaranteed liquidity	51.7 %
Cash	35.6 %
Near cash (other 'monetisable' assets)	12.7 %

Bank and non-bank depositor concentration by type at 30 September 2020
R401.0 billion



Non-bank financials	45.7 %
Individuals	20.6 %
Non-financial corporates	14.3 %
Banks	9.0 %
Small business	6.3 %
Public sector	4.3 %

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 2020

R'million	Demand	Up to one month	One to three month	Three to six months	Six months to one year	One to five years	> Five years	**Total**
Cash and short-term funds – banks	34 063	5 179	1 797	501	—	—	—	41 540
Cash and short-term funds – non-banks	6 779	205	38	—	—	—	818	7 840
Investment/trading assets and statutory liquids	47 032	37 900	2 888	8 423	10 502	30 637	36 387	173 769
Securitised assets	—	—	—	—	—	3 318	3 526	6 844
Advances	3 201	5 395	9 126	11 873	19 998	114 872	108 424	272 889
Other assets	3 638	9 512	881	(451)	(1 010)	(353)	10 148	22 365
Assets	**94 713**	**58 191**	**14 730**	**20 346**	**29 490**	**148 474**	**159 303**	**525 247**
Deposits – banks	(1 452)	(696)	(38)	(94)	(9 158)	(24 475)	—	(35 913)
Deposits – non-banks	(168 570)	(21 887)	(62 671)	(38 531)	(34 117)	(35 710)	(3 580)	(365 066)
Negotiable paper	—	(266)	(217)	(1 233)	(512)	(920)	—	(3 148)
Securitised liabilities	—	—	—	—	—	—	(1 576)	(1 576)
Investment/trading liabilities	(486)	(21 217)	(6 572)	(2 842)	(11 570)	(11 055)	(1 978)	(55 720)
Subordinated liabilities	—	—	—	(260)	(1 161)	(10 486)	—	(11 907)
Other liabilities	(482)	(149)	(430)	(315)	(1 295)	(555)	(4 326)	(7 552)
Liabilities	**(170 990)**	**(44 215)**	**(69 928)**	**(43 275)**	**(57 813)**	**(83 201)**	**(11 460)**	**(480 882)**
Total equity	—	—	—	—	—	—	(44 365)	(44 365)
Contractual liquidity gap	**(76 277)**	**13 976**	**(55 198)**	**(22 929)**	**(28 323)**	**65 273**	**103 478**	**—**
Cumulative liquidity gap	(76 277)	(62 301)	(117 499)	(140 428)	(168 751)	(103 478)		—

Behavioural liquidity

R'million	Demand	Up to one month	One to three month	Three to six month	Six months to one year	One to five years	> Five years	**Total**
Behavioural liquidity gap	**66 056**	**19 552**	**(9 804)**	**1 788**	**(21 220)**	**(177 837)**	**121 465**	**—**
Cumulative	66 056	85 608	75 804	77 592	56 372	(121 465)	—	

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 2020

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

R'million	Not > three months	> Three months but < six months	> Six months < but one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	25 889	119	—	—	—	11 368	37 376
Cash and short-term funds – non-banks	7 840	—	—	—	—	—	7 840
Investment/trading assets and statutory liquids	58 137	12 085	9 199	19 381	23 191	15 954	137 947
Securitised assets	6 844	—	—	—	—	—	6 844
Advances	245 843	3 726	1 749	19 673	749	1 093	272 833
Other assets	16 020	(681)	(302)	4 491	—	9 868	29 396
Assets	**360 573**	**15 249**	**10 646**	**43 545**	**23 940**	**38 283**	**492 236**
Deposits – banks	(35 873)	(30)	(10)	—	—	—	(35 913)
Deposits – non-banks	(301 798)	(25 571)	(12 347)	(7 790)	(623)	(16 937)	(365 066)
Negotiable paper	(1 522)	(845)	(230)	(405)	—	(146)	(3 148)
Securitised liabilities	(1 576)	—	—	—	—	—	(1 576)
Investment/trading liabilities	(8 524)	—	(4 271)	(1 071)	(1 118)	(80)	(15 064)
Subordinated liabilities	(6 734)	(101)	(190)	(4 882)	—	—	(11 907)
Other liabilities	—	—	—	—	—	(5 846)	(5 846)
Liabilities	**(356 027)**	**(26 547)**	**(17 048)**	**(14 148)**	**(1 741)**	**(23 009)**	**(438 520)**
Total equity	(869)	—	—	—	—	(43 496)	(44 365)
Balance sheet	**3 677**	**(11 298)**	**(6 402)**	**29 397**	**22 199**	**(28 222)**	**9 351**
Off-balance sheet	16 005	16 539	6 464	(25 983)	(22 376)	—	(9 351)
Repricing gap	**19 682**	**5 241**	**62**	**3 414**	**(177)**	**(28 222)**	**—**
Cumulative repricing gap	19 682	24 923	24 985	28 399	28 222	—	

Economic value sensitivity at 30 September 2020

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. This sensitivity effect 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	(285.6)	0.7	(1.8)	0.7	0.1	(0.6)	(287.1)
200bps up	188.6	(0.87)	3.18	(0.75)	(0.17)	0.82	207.21

Liquidity coverage ratio

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 (HQLA) 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 (2018) 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 2020 to 30 September 2020 for IBL solo. IBL consolidated group values use daily values for IBL solo, while those for other group entities use the average of July, August and September 2020 month-end values.

The minimum LCR requirement of 100% was lowered to 80% as a temporary measure during the COVID-19 pandemic. This applies to IBL solo and IBL consolidated group.

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

IBL solo

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

- The structure and nature of deposits inside the 30-day window is the key driver of both the level and the volatility of the LCR. This weighted outflow is determined by the customer type of liabilities falling into the 30-day contractual bucket. In turn, these deposit characteristics determine the targeted level of 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.

IBL consolidated group

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

At 30 September 2020 **R'million**	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited consolidated Group – Total weighted value**
High quality liquid assets (HQLA)	87 062	88 808
Net cash outflows	57 796	54 260
Actual LCR (%)	**151.0%**	**164.1%**
Required LCR (%)	80.0%	80.0%

Net stable funding ratio

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 leading 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 2020.

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

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

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

IBL consolidated group

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

At 30 September 2020 **R'million**	**Investec Bank Limited Solo – Total weighted value**	**Investec Bank Limited consolidated Group – Total weighted value**
Available stable funding (ASF)	319 203	337 615
Required stable funding (RSF)	282 778	296 330
Actual NSFR (%)	**112.9%**	**113.9%**
Required NSFR (%)	100.0%	100.0%

Capital structure and capital adequacy

R'million	30 Sept 2020^	31 March 2020^
Shareholders' equity	**42 371**	**39 754**
Shareholders' equity per balance sheet	43 905	41 288
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	**1 387**	**1 518**
Prudent valuation adjustment	(225)	(6)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(13)	(26)
Cash flow hedging reserve	1 625	1 550
Deductions	**(2 489)**	**(2 721)**
Goodwill and intangible assets net of deferred tax	(448)	(496)
Investment in financial entity	(1 363)	(1 596)
Shortfall of eligible provisions compared to expected loss	(678)	(629)
Common equity tier 1 capital	**41 269**	**38 551**
Additional Tier 1 capital	**767**	**751**
Additional tier 1 instruments	1 994	1 994
Phase out of non-qualifying additional tier 1 instruments	(1 227)	(1 227)
Investment in capital of financial entities above 10% threshold	—	(16)
Tier 1 capital	**42 036**	**39 302**
Tier 2 capital	**12 866**	**12 905**
Collective impairment allowances	959	895
Tier 2 instruments	11 907	12 037
Investment in capital of financial entities above 10% threshold	—	(27)
Total regulatory capital	**54 902**	**52 207**
Risk-weighted assets	**320 969**	**319 090**
Capital ratios		
Common equity tier 1 ratio	12.9%	12.1%
Tier 1 ratio	13.1%	12.3%
Total capital adequacy ratio	17.1%	16.4%

^ Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's CET 1 ratio would be 32bps lower (31 March 2020: 15bps lower).

Capital requirements

R'million	30 Sept 2020	31 March 2020^
Capital requirements	**33 702**	**36 695**
Credit risk	27 927	30 653
Equity risk	1 528	1 726
Counterparty credit risk	887	1 016
Credit valuation adjustment risk	337	273
Market risk	657	478
Operational risk	2 366	2 549
Risk-weighted assets	**320 969**	**319 090**
Credit risk	265 971	266 552
Equity risk	14 553	15 010
Counterparty credit risk	8 449	8 837
Credit valuation adjustment risk	3 214	2 371
Market risk	6 253	4 158
Operational risk	22 529	22 162

Leverage

R'million	30 Sept 2020^	31 March 2020
Exposure measure	**563 835**	**571 144**
Tier 1 capital	42 036	39 302
Leverage ratio - current**	**7.5%**	**6.9%**
Tier 1 capital 'fully loaded'^^	41 730	38 995
Leverage ratio - 'fully loaded'^^**	**7.4%**	**6.8%**

A summary of capital adequacy and leverage ratios

R'million	30 Sept 2020^	31 March 2020
Common equity tier 1 (as reported)	12.9%	12.1%
Common equity tier 1 ('fully loaded')^^	12.9%	12.1%
Tier 1 (as reported)	13.1%	12.3%
Total capital adequacy ratio (as reported)	17.1%	16.4%
Leverage ratio** – current	7.5%	6.9%
Leverage ratio** – 'fully loaded'^^	7.4%	6.8%

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

^ Investec Bank Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Bank Limited's CET 1 ratio would be 32bps lower (31 March 2020: 15bps 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 18 November 2020)

ZBM Bassa (56)
Independent, non-executive director

F Titi (58)
Executive director

D Friedland (67)
Independent, non-executive director

PA Hourquebie (67)
Independent, non-executive director

DM Lawrence (69)
Deputy chairman, non-executive director

KL Shuenyane (50)
Independent, non-executive chairman

SC Spencer (52)
Finance director

RJ Wainwright (58)
Chief executive officer

M Mthombeni (47)
Independent, non-executive director

MG Qhena (54)
Independent, non-executive director

4

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 35

Notice is hereby given that preference dividend number 35 has been declared by the Board from income reserves for the period 1 April 2020 to 30 September 2020 amounting to a gross preference dividend of 307.97855 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, 11 December 2020.

The relevant dates for the payment of dividend number 35 are as follows:

Last day to trade cum-dividend	Tuesday, 08 December 2020
Shares commence trading ex-dividend	Wednesday, 09 December 2020
Record date	Friday, 11 December 2020
Payment date	Monday, 14 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 09 December 2020 and Friday, 11 December 2020, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued share preference share capital of Investec Bank Limited as at 13 November 2020 is 15 322 563 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 246.38284 cents per preference share for shareholders liable to pay the Dividend Tax and 307.97855 cents per preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company Secretary

18 November 2020

Extract of operating costs

For the six months to 30 September R'million	2020	2019
Staff costs	2 404	2 490
Premises expenses	68	94
Premises expenses (excluding depreciation)	23	44
Premises depreciation	45	50
Equipment expenses (excluding depreciation)	140	97
Business expenses	217	269
Marketing expenses	141	173
Depreciation, amortisation and impairment on property, equipment and intangibles	128	144
	3 098	**3 267**

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 2020	31 March 2020
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	37 939	26 427
Expected credit loss on amortised cost	(1)	(1)
Net reverse repurchase agreements and cash collateral on securities borrowed	**37 938**	**26 426**
Reverse repurchase agreements	34 996	24 316
Cash collateral on securities borrowed	2 942	2 110
	37 938	**26 426**
Liabilities		
Repurchase agreements	32 684	26 626
	32 684	**26 626**

Extract of other debt securities

At R'million	30 Sept 2020	31 March 2020
Gross other debt securities	15 520	17 427
Expected credit loss on amortised cost	(14)	(11)
Net other debt securities	**15 506**	**17 416**
Bonds	8 800	11 597
Commercial paper	24	78
Floating rate notes	3 501	4 002
Asset-based securities	3 181	1 739
	15 506	**17 416**

Extract of securities arising from trading activities

At R'million	30 Sept 2020	31 March 2020
Bonds	1 904	2 014
Floating rate notes	453	786
Listed equities	710	340
Unlisted equities	32	—
Other investments	48	38
	3 147	**3 178**

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

At R'million	30 Sept 2020	31 March 2020
Gross loans and advances to customers at amortised cost	252 722	257 161
Gross loans and advances to customers designated at FVPL at inception^	21 810	20 769
Gross loans and advances to customers subject to ECL	274 532	277 930
Expected credit loss on amortised cost	(3 916)	(3 343)
	270 616	274 587
Loans and advances to customers at fair value	2 056	2 167
Net loans and advances to customers	**272 672**	**276 754**
Gross other loans and advances	242	267
Expected credit loss of other loans and advances	(25)	(25)
Net other loans and advances	**217**	**242**

^ 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 2020	31 March 2020
Gross own originated loans and advances to customers securitised	6 660	7 208
Expected credit loss of own originated loans and advances to customers securitised	(24)	(16)
Net own originated loans and advances to customers securitised	**6 636**	**7 192**
Total other securitised assets	**208**	**416**

Other assets

At R'million	30 Sept 2020	31 March 2020
Gross other assets	6 098	6 157
Expected credit loss on amortised cost	—	(1)
Net other assets	**6 098**	**6 156**
Settlement debtors	898	847
Trading properties	95	30
Prepayments and accruals	1 593	1 302
Trading initial margin	1 321	744
Commodities	1 423	1 782
Fee debtors	2	10
Corporate tax assets	33	42
Other	733	1 399
	6 098	**6 156**

Debt securities in issue

At R'million	30 Sept 2020	31 March 2020
Repayable in:		
Less than three months	450	751
Three months to one year	1 466	1 292
One to five years	1 232	1 215
	3 148	**3 258**

Extract of other liabilities

At R'million	30 Sept 2020	31 March 2020
Settlement liabilities	1 771	2 136
Other creditors and accruals	3 115	3 326
Other non-interest bearing liabilities	680	699
Dividends Rewards Programme liability	650	644
Lease liability	498	592
Long service employee benefits liability	224	129
Expected credit loss on off balance sheet commitments and guarantees	76	64
	7 014	**7 590**

Extract of perpetual preference share capital

At R'million	30 Sept 2020	31 March 2020
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 2020	31 March 2020
Losses carried forward	–	–
	–	**–**

Extract of subordinated liabilities

At R'million	30 Sept 2020	31 March 2020
Remaining maturity:		
In one year or less, or on demand	1 421	260
In more than one year, but not more than two years	8 852	5 626
In more than two years, but not more than five years	1 634	6 151
	11 907	**12 037**

Offsetting

At 30 September 2020 R'million	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
	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	12 064	—	12 064	—	12 064
Loans and advances to banks	44 439	(14 963)	29 476	(325)	29 151
Non-sovereign and non-bank cash placements	7 840	—	7 840	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	38 932	(994)	37 938	(7 465)	30 473
Sovereign debt securities	72 519	—	72 519	(14 270)	58 249
Bank debt securities	11 318	—	11 318	(6 940)	4 378
Other debt securities	15 506	—	15 506	(2 216)	13 290
Derivative financial instruments	25 446	(4 043)	21 403	(11 958)	9 445
Securities arising from trading activities	3 147	—	3 147	(1 673)	1 474
Investment portfolio	6 270	—	6 270	—	6 270
Loans and advances to customers	275 721	(3 049)	272 672	—	272 672
Own originated loans and advances to customers securitised	6 636	—	6 636	—	6 636
Other loans and advances	217	—	217	—	217
Other securitised assets	208	—	208	—	208
Other assets	6 098	—	6 098	—	6 098
	526 361	**(23 049)**	**503 312**	**(44 847)**	**458 465**
Liabilities					
Deposits by banks	37 205	(1 292)	35 913	—	35 913
Derivative financial instruments	35 991	(17 713)	18 278	(11 958)	6 320
Other trading liabilities	4 758	—	4 758	—	4 758
Repurchase agreements and cash collateral on securities lent	33 678	(994)	32 684	(32 684)	—
Customer accounts (deposits)	368 115	(3 049)	365 066	—	365 066
Debt securities in issue	3 148	—	3 148	—	3 148
Liabilities arising on securitisation of own originated loans and advances	1 576	—	1 576	—	1 576
Other liabilities	7 014	—	7 014	—	7 014
Subordinated liabilities	11 907	—	11 907	—	11 907
	503 392	**(23 048)**	**480 344**	**(44 642)**	**435 702**

Offsetting continued

At 31 March 2020 R'million	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
	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	36 656	—	36 656	—	36 656
Loans and advances to banks	32 940	(14 890)	18 050	(304)	17 746
Non-sovereign and non-bank cash placements	14 014	—	14 014	—	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	26 426	—	26 426	—	26 426
Sovereign debt securities	64 358	—	64 358	(22 670)	41 688
Bank debt securities	12 265	—	12 265	(1 031)	11 234
Other debt securities	17 416	—	17 416	(2 337)	15 079
Derivative financial instruments	31 714	(14 280)	17 434	(9 381)	8 053
Securities arising from trading activities	3 178	—	3 178	(1 542)	1 636
Investment portfolio	5 801	—	5 801	—	5 801
Loans and advances to customers	279 376	(2 622)	276 754	—	276 754
Own originated loans and advances to customers securitised	7 192	—	7 192	—	7 192
Other loans and advances	242	—	242	—	242
Other securitised assets	416	—	416	—	416
Other assets	6 156	—	6 156	—	6 156
	538 150	**(31 792)**	**506 358**	**(37 265)**	**469 093**
Liabilities					
Deposits by banks	40 868	(3 591)	37 277	—	37 277
Derivative financial instruments	47 676	(25 579)	22 097	(9 381)	12 716
Other trading liabilities	4 521	—	4 521	—	4 521
Repurchase agreements and cash collateral on securities lent	26 626	—	26 626	(24 824)	1 802
Customer accounts (deposits)	378 570	(2 622)	375 948	—	375 948
Debt securities in issue	3 258	—	3 258	—	3 258
Liabilities arising on securitisation of own originated loans and advances	1 699	—	1 699	—	1 699
Other liabilities	7 590	—	7 590	—	7 590
Subordinated liabilities	12 037	—	12 037	—	12 037
	522 845	**(31 792)**	**491 053**	**(34 205)**	**456 848**

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

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

Annuity income

Net interest income (refer to page 18) plus net annuity fees and commissions (refer to page 19)

Core loans

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

R'million	30 Sept 2020	31 March 2020
Loans and advances to customers per the balance sheet	272 672	276 754
Add: own originated loans and advances to customers per the balance sheet	6 636	7 192
Net core loans	**279 308**	**283 946**
*of which subject to ECL**	277 252	281 779
Net core loans at amortised cost	255 553	261 077
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	21 699	20 702
of which FVPL (excluding fixed rate loans above)	2 056	2 167
Add: ECL	3 940	3 359
Gross core loans	**283 248**	**287 305**
*of which subject to ECL**	281 192	285 138
of which FVPL (excluding fixed rate loans above)	2 056	2 167

^ These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. The drawn (R22 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2020: R21 billion). The ECL on the portfolio is R111 million (31 March 2020: R67 million).

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

Cost to income ratio

Refer to calculation in the table below

R'million	30 Sept 2020	30 Sept 2019	31 March 2020
Operating costs (A)	(3 098)	(3 267)	(6 632)
Total operating income before expected credit losses	(5 629)	(6 442)	(12 603)
Less: Profit attributable to other non-controlling interests	—	—	—
Total (B)	(5 629)	(6 442)	(12 603)
Cost to income ratio (A/B)	**55.0%**	**50.7%**	**52.6%**

Coverage ratio

ECL as a percentage of gross core loans and advances subject to ECL

Credit loss ratio

Annualised ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances

Gearing ratio

Total assets excluding intergroup loans divided by total equity

Loans and advances to customers as a % of customer deposits

Loans and advances to customers as a percentage of customer accounts (deposits)

Net interest margin

Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on page 18

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 18 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 18 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 47 for detail

Subject to ECL

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