Investec

INVESTEC LIMITED | 2020

Financial information (excludes results of Investec plc)

Unaudited condensed financial information
for the six months ended 30 September 2020

IFRS – Rand

Overview of results

Introduction

We supplement our International Financial Reporting Standards (IFRS) figures with alternative performance measures used by management internally and which provide valuable, relevant information. The description of alternative performance measures and their calculation is provided on page 53. All other definitions can be found on page 54.

Key financial statistics	**30 Sept 2020**	30 Sept 2019^	% change	31 March 2020
Total operating income before expected credit losses (R'million)	6 221	8 214	(24.3%)	15 939
Operating costs (R'million)	3 917	4 090	(4.2%)	8 307
Operating profit before goodwill and acquired intangibles (R'million)	1 731	3 852	(55.1%)	6 523
Headline earnings attributable to ordinary shareholders (R'million)	1 622	2 914	(44.3%)	4 309
Cost to income ratio	59.9%	53.2%		56.6%
Total capital resources (including subordinated liabilities) (R'million)	73 190	71 501	2.4%	71 058
Total equity (R'million)	59 001	56 862	3.8%	56 675
Total assets (R'million)	569 013	678 341	(16.1%)	575 387
Net core loans and advances (R'million)	284 392	273 720	3.9%	288 878
Customer accounts (deposits) (R'million)	365 003	349 172	4.5%	375 456
Loans and advances to customers as a % of customer accounts (deposits)	76.1%	76.4%		75.0%
Cash and near cash balances (R'million)	143 248	119 979	19.4%	147 169
Funds under management (R'million)*	301 431	291 278	3.5%	255 938
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.6x	9.1x		10.1x
Total capital adequacy ratio	15.5%	15.9%		15.0%
Tier 1 ratio	12.2%	12.4%		11.5%
Common equity tier 1 ratio	11.6%	11.6%		10.9%
Leverage ratio – current	7.0%	7.3%		6.4%
Leverage ratio – 'fully loaded'	6.9%	7.1%		6.3%
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	1.7%	0.8%		0.9%
Credit loss ratio	0.35**	0.18**		0.36%

* In order to be comparable, the 30 September 2019 funds under management figure above reflects that of continuing operations only (i.e. excludes funds under management related to the asset management business).

^ Restated to reflect continuing operations as detailed on page 24.

** Annualised.

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	14 804	18 069	35 949
Interest expense	(10 971)	(13 842)	(27 394)
Net interest income	**3 833**	**4 227**	**8 555**
Fee and commission income	2 594	3 010	6 460
Fee and commission expense	(281)	(389)	(645)
Investment (loss)/income	(169)	725	512
Share of post taxation (loss)/profit of associates and joint venture holdings	(89)	260	311
Trading income/(loss) arising from			
– customer flow	247	309	197
– balance sheet management and other trading income	(19)	72	544
Other operating income	105	—	5
Total operating income before expected credit loss impairment charges	**6 221**	**8 214**	**15 939**
Expected credit loss impairment charges	(573)	(272)	(1 109)
Operating income	**5 648**	**7 942**	**14 830**
Operating costs	(3 917)	(4 090)	(8 307)
Operating profit before goodwill and acquired intangibles	**1 731**	**3 852**	**6 523**
Impairment of goodwill	—	—	(3)
Amortisation of acquired intangibles	(26)	(26)	(51)
Impairment of associates and joint venture holdings	—	—	(937)
Profit before taxation	**1 705**	**3 826**	**5 532**
Taxation on operating profit before acquired intangibles	(337)	(484)	(1 042)
Taxation on acquired intangibles and financial impact on group structures	7	17	14
Profit after taxation from continuing operations	**1 375**	**3 359**	**4 504**
Profit after taxation from discontinued operations	—	431	6 674
Profit after taxation	**1 375**	**3 790**	**11 178**
Loss/(profit) attributable to other non-controlling interests	316	(530)	(1 258)
Profit attributable to non-controlling interests of discontinued operations	—	(99)	(210)
Earnings attributable to shareholders	**1 691**	**3 161**	**9 710**

^ Restated to reflect continuing operations as noted on page 24.

Consolidated statement of total comprehensive income

R'million	**Six months to 30 Sept 2020**	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation from continuing operations	1 375	3 359	4 504
Other comprehensive income from continuing operations:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(75)	(355)	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	1 388	183	(1 888)
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	(6)	(34)	(79)
Foreign currency adjustments on translating foreign operations	(466)	276	1 366
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	442	–	138
Net (loss)/gain attributable to own credit risk	(13)	(2)	1
Total comprehensive income from continuing operations	**2 645**	**3 427**	**3 423**
Total comprehensive income attributable to ordinary shareholders from continuing operations	2 751	2 646	1 663
Total comprehensive (loss)/income attributable to non-controlling interests	(340)	530	1 258
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	234	251	502
Total comprehensive income from continuing operations	**2 645**	**3 427**	**3 423**
Profit after taxation from discontinued operations	–	431	6 674
Other comprehensive income from discontinued operations:			
Items that may be reclassified to the income statement			
Foreign currency adjustments on translating foreign operations	–	–	4
Total comprehensive income from discontinued operations	**–**	**431**	**6 678**
Total comprehensive income attributable to ordinary shareholders	–	332	6 468
Total comprehensive income attributable to non-controlling interests	–	99	210
Total comprehensive income from discontinued operations	**–**	**431**	**6 678**
Profit after taxation from the total group	1 375	3 790	11 178
Other comprehensive income from the total group:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	(75)	(355)	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	1 388	183	(1 888)
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	(6)	(34)	(79)
Foreign currency adjustments on translating foreign operations	(466)	276	1 370
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	442	–	138
Net (loss)/gain attributable to own credit risk	(13)	(2)	1
Total comprehensive income from the total group	**2 645**	**3 858**	**10 101**
Total comprehensive income attributable to ordinary shareholders	2 751	2 978	8 131
Total comprehensive (loss)/income attributable to non-controlling interests	(340)	629	1 468
Total comprehensive income attributable to perpetual preferred securities	234	251	502
Total comprehensive income from the total group	**2 645**	**3 858**	**10 101**

* These amounts are net of taxation expense/(credit) of R622.1 million [Six months to 30 September 2019: (R147.6million); Year to 31 March 2020: (R1.2 billion)].

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Continuing operations			
Continuing earnings attributable to shareholders	1 691	2 829	3 246
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(234)	(251)	(502)
Continuing earnings attributable to ordinary shareholders	**1 457**	**2 578**	**2 744**
Headline adjustments	165	4	1 190
Revaluation of investment properties*	147	4	243
Fair value adjustment on investment property in associate	18	—	7
Impairment of goodwill	—	—	3
Impairment of associates and joint venture holdings	—	—	937
Continuing headline earnings attributable to ordinary shareholders	**1 622**	**2 582**	**3 934**
Discontinued operations			
Discontinued earnings attributable to ordinary shareholders	—	332	6 464
Gain on partial disposal of subsidiary*	—	—	(6 089)
Discontinued headline earnings attributable to ordinary shareholders	**—**	**332**	**375**
Earnings attributable to shareholders	1 691	3 161	9 710
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(234)	(251)	(502)
Earnings attributable to ordinary shareholders	**1 457**	**2 910**	**9 208**
Headline adjustments	165	4	(4 899)
Revaluation of investment properties*	147	4	243
Fair value adjustment on investment property in associate	18	—	7
Gain on partial disposal of subsidiary*	—	—	(6 089)
Impairment of goodwill	—	—	3
Impairment of associates and joint venture holdings	—	—	937
Headline earnings attributable to ordinary shareholders	**1 622**	**2 914**	**4 309**

* These amounts are net of taxation of R(17.7) million (Six months to 30 September 2019: Rnil; year to 31 March 2020: R52.6 million) with a R(387.6) million) [Six months to 30 September 2019: (R9.9million)); year to 31 March 2020 (R339.8 million)] impact on earnings attributable to non-controlling interests.

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	31 477	19 536	21 270
Non-sovereign and non-bank cash placements	7 840	14 014	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	41 874	29 626	13 228
Sovereign debt securities	72 519	64 358	71 756
Bank debt securities	11 318	12 265	10 593
Other debt securities	15 482	17 337	14 392
Derivative financial instruments	21 307	17 431	9 921
Securities arising from trading activities	5 778	10 366	18 492
Investment portfolio	16 423	16 564	10 684
Loans and advances to customers	277 756	281 686	266 653
Own originated loans and advances to customers securitised	6 636	7 192	7 067
Other loans and advances	217	242	262
Other securitised assets	270	497	270
Interests in associated undertakings and joint venture holdings	6 805	6 924	6 566
Deferred taxation assets	2 920	2 996	2 287
Other assets	14 895	12 845	15 900
Property and equipment	3 006	3 093	3 221
Investment properties	17 253	19 137	18 428
Goodwill	219	219	211
Software*	128	149	181
Other acquired intangible assets*	141	169	192
Non-current assets classified as held for sale	1 883	1 305	—
	568 211	**574 607**	**516 547**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	802	780	161 794
	569 013	**575 387**	**678 341**
Liabilities			
Deposits by banks	43 203	46 833	29 340
Derivative financial instruments	18 526	22 469	14 720
Other trading liabilities	10 277	8 660	11 458
Repurchase agreements and cash collateral on securities lent	32 792	26 626	14 300
Customer accounts (deposits)	365 003	375 456	349 172
Debt securities in issue	7 659	7 634	12 315
Liabilities arising on securitisation of own originated loans and advances	1 576	1 699	1 489
Current taxation liabilities	1 290	541	958
Deferred taxation liabilities	677	517	77
Other liabilities	14 018	13 114	11 217
	495 021	**503 549**	**445 046**
Liabilities to customers under investment contracts	744	727	161 648
Insurance liabilities, including unit-linked liabilities	58	53	146
	495 823	**504 329**	**606 840**
Subordinated liabilities	14 189	14 383	14 639
	510 012	**518 712**	**621 479**
Equity			
Ordinary share capital	1	1	1
Ordinary share premium*	6 113	6 113	10 393
Treasury shares	(3 044)	(2 992)	(2 521)
Other reserves	2 203	903	2 091
Retained income	37 534	35 878	31 123
Ordinary shareholders' equity	**42 807**	**39 903**	**41 087**
Perpetual preference shares in issue*	3 183	3 183	3 183
Shareholders' equity excluding non-controlling interests	**45 990**	**43 086**	**44 270**
Other Additional Tier 1 securities in issue	1 010	1 010	1 010
Non-controlling interests	12 001	12 579	11 582
– Perpetual preferred securities issued by subsidiaries	1 534	1 534	1 534
– Non-controlling interests in partially held subsidiaries	10 467	11 045	10 048
Total equity	**59 001**	**56 675**	**56 862**
Total liabilities and equity	**569 013**	**575 387**	**678 341**

* Software of R128 million (31 March 2020: R149 million; 30 September 2019: R181 million), which was previously reported within intangible assets, is now reported as a separate line item. 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.

R'million	Ordinary share capital	Share premium	Treasury shares
At 1 April 2019	**1**	**10 393**	**(1 881)**
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	—	—	—
Net loss attributable to own credit risk	—	—	—
Total comprehensive income for the period	—	—	—
Net equity movements in interests in associated undertakings	—	—	—
Movement of treasury shares	—	—	(785)
Share-based payments adjustments	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	145
Transfer from regulatory general risk reserves	—	—	
Disposal of group operations	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 securities	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 30 September 2019	**1**	**10 393**	**(2 521)**
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Net gain attributable to own credit risk	—	—	—
Total comprehensive income for the period	—	—	—
Movement of treasury shares	—	—	(675)
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	204
Transfer from regulatory general risk reserves	—	—	—
Disposal of group operations	—	—	—
Movement in non-controlling interests due to share issues in subsidiary	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 securities	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
Distribution on demerger	—	(4 280)	—
At 31 March 2020	**1**	**6 113**	**(2 992)**

Other reserves												
Capital reserve account	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 in issue	**Shareholders' equity excluding non-controlling interests**	Other additional Tier 1 issue securities in issue	Non-controlling interests	**Total equity**
61	**90**	**765**	**(931)**	**25**	**2 045**	**29 398**	**39 966**	**3 183**	**43 149**	**1 010**	**11 456**	**55 615**
—	—	—	—	—	—	3 161	3 161	—	3 161	—	629	3 790
—	—	—	(355)	—	—	—	(355)	—	(355)	—	—	(355)
—	183	—	—	—	—	—	183	—	183	—	—	183
—	(34)	—	—	—	—	—	(34)	—	(34)	—	—	(34)
—	—	—	—	—	276	—	276	—	276	—	—	276
—	—	—	—	(2)	—	—	(2)	—	(2)	—	—	(2)
—	**149**	**—**	**(355)**	**(2)**	**276**	**3 161**	**3 229**	**—**	**3 229**	**—**	**629**	**3 858**
—	—	—	—	—	—	(44)	(44)	—	(44)	—	—	(44)
—	—	—	—	—	—	—	(785)	—	(785)	—	—	(785)
—	—	—	—	—	—	298	298	—	298	—	—	298
—	—	—	—	—	—	(145)	—	—	—	—	—	—
—	—	(32)	—	—	—	32	—	—	—	—	—	—
—	—		—	—	—	(4)	(4)	—	(4)	—	4	—
—	—	—	—	—	—	(251)	(251)	192	(59)	59	130	130
—	—	—	—	—	—	—	—	(192)	(192)	(59)	(130)	(381)
—	—	—	—	—	—	(1 322)	(1 322)	—	(1 322)	—	—	(1 322)
—	—	—	—	—	—	—	—	—	—	—	(507)	(507)
61	**239**	**733**	**(1 286)**	**23**	**2 321**	**31 123**	**41 087**	**3 183**	**44 270**	**1 010**	**11 582**	**56 862**
—	—	—	—	—	—	6 549	6 549	—	6 549	—	839	7 388
—	—	—	(264)	—	—	—	(264)	—	(264)	—	—	(264)
—	(2 071)	—	—	—	—	—	(2 071)	—	(2 071)	—	—	(2 071)
—	(45)	—	—	—	—	—	(45)	—	(45)	—	—	(45)
—	138	—	—	—	—	—	138	—	138	—	—	138
—	—	—	—	—	1 094	—	1 094	—	1 094	—	—	1 094
—	—	—	—	3	—	—	3	—	3		—	3
—	**(1 978)**	**—**	**(264)**	**3**	**1 094**	**6 549**	**5 404**	**—**	**5 404**	**—**	**839**	**6 243**
—	—	—	—	—	—	—	(675)	—	(675)	—	—	(675)
—	—	—	—	—	—	294	294	—	294	—	—	294
—	—	—	—	—	—	(156)	(156)	—	(156)	—	—	(156)
—	—	—	—	—	—	(204)	—	—	—	—	—	—
—	—	(43)	—	—	—	43	—	—	—	—	—	—
—	—	—	—	—	—	4	4	—	4	—	(225)	(221)
—	—	—	—	—	—	(91)	(91)	—	(91)	—	960	869
—	—	—	—	—	—	(251)	(251)	193	(58)	58	1	1
—	—	—	—	—	—	—	—	(193)	(193)	(58)	(1)	(252)
—	—	—	—	—	—	(1 433)	(1 433)	—	(1 433)	—	—	(1 433)
—	—	—	—	—	—	—	—	—	—	—	(577)	(577)
—	—	—	—	—	—	—	(4 280)	—	(4 280)	—	—	(4 280)
61	**(1 739)**	**690**	**(1 550)**	**26**	**3 415**	**35 878**	**39 903**	**3 183**	**43 086**	**1 010**	**12 579**	**56 675**

R'million	Ordinary share capital	Share premium	Treasury shares
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	**–**	**–**	**–**
Movement of treasury shares	—	—	(54)
Share-based payments adjustments	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	2
Transfer from regulatory general risk reserves	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 securities	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 30 September 2020	**1**	**6 113**	**(3 044)**

Other reserves												
Capital reserve account	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 in issue	**Share-holders' equity excluding non-controlling interests**	Other additional Tier 1 issue securities in issue	Non-controlling interests	**Total equity**
—	—	—	—	—	—	1 691	1 691	—	1 691	—	(316)	1 375
—	—	—	(75)	—	—	—	(75)	—	(75)	—	—	(75)
—	1 388	—	—	—	—	—	1 388	—	1 388	—	—	1 388
—	(6)	—	—	—	—	—	(6)	—	(6)	—	—	(6)
—	—	—	—	—	(466)	—	(466)	—	(466)	—	(24)	(490)
—	442	—	—	—	—	—	442	—	442	—	—	442
—	—	—	—	(13)	—	—	(13)	—	(13)	—	—	(13)
—	**1 824**	**—**	**(75)**	**(13)**	**(466)**	**1 691**	**2 961**	**—**	**2 961**	**—**	**(340)**	**2 621**
—	—	—	—	—	—	—	(54)	—	(54)	—	—	(54)
—	—	—	—	—	—	231	231	—	231	—	—	231
—	—	—	—	—	—	(2)	—	—	—	—	—	—
—	—	30	—	—	—	(30)	—	—	—	—	—	—
—	—	—	—	—	—	(234)	(234)	(186)	(420)	49	63	(308)
—	—	—	—	—	—	—	—	186	186	(49)	(63)	74
—	—	—	—	—	—	—	—	—	—	—	(238)	(238)
61	**85**	**720**	**(1 625)**	**13**	**2 949**	**37 534**	**42 807**	**3 183**	**45 990**	**1 010**	**12 001**	**59 001**

Condensed consolidated segmental information

For the six months to 30 September 2020 R'million	Wealth & Investment	Specialist Banking	Group Investments	Group costs	Total group
Net interest (expense)/income	(9)	4 354	(512)	—	3 833
Net fee and commission income	799	1 004	510	—	2 313
Investment income/(loss)	11	(90)	(90)	—	(169)
Share of post taxation (loss)/profit of associates and joint venture holdings	—	(2)	(87)	—	(89)
Trading income/(loss) arising from					
– customer flow	—	328	(81)	—	247
– balance sheet management and other trading activities	2	87	(108)	—	(19)
Other operating income	—	105	—	—	105
Total operating income before expected credit loss impairment charges	**803**	**5 786**	**(368)**	**—**	**6 221**
Expected credit loss impairment charges	—	(532)	(41)	—	(573)
Operating income	**803**	**5 254**	**(409)**	**—**	**5 648**
Operating costs	(539)	(3 208)	(13)	(157)	(3 917)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**264**	**2 046**	**(422)**	**(157)**	**1 731**
Loss attributable to non-controlling interests	—	—	316	—	316
Adjusted operating profit from continuing operations	**264**	**2 046**	**(106)**	**(157)**	**2 047**
Operating profit from discontinued operations	—	—	—	—	—
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**264**	**2 046**	**(106)**	**(157)**	**2 047**
Cost to income ratio	67.1%	55.4%	(25.0)%	n/a	59.9%
Total assets (R'million)	7 334	522 601	39 078	n/a	569 013

For the six months to 30 September 2019^ R'million	Wealth & Investment	Specialist Banking	Group Investments	Group costs	Total group
Net interest income/(expense)	51	4 675	(499)	—	4 227
Net fee and commission income	744	1 230	647	—	2 621
Investment income	1	82	642	—	725
Share of post taxation (loss)/profit of associates and joint venture holdings	—	(7)	267	—	260
Trading (loss)/ income arising from					
– customer flow	(2)	292	19	—	309
– balance sheet management and other trading activities	1	61	10	—	72
Total operating income before expected credit loss impairment charges	**795**	**6 333**	**1 086**	**—**	**8 214**
Expected credit loss impairment charges	—	(272)	—	—	(272)
Operating income	**795**	**6 061**	**1 086**	**—**	**7 942**
Operating costs	(537)	(3 409)	(8)	(136)	(4 090)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**258**	**2 652**	**1 078**	**(136)**	**3 852**
Profit attributable to non-controlling interests	—	—	(530)	—	(530)
Adjusted operating profit from continuing operations	**258**	**2 652**	**548**	**(136)**	**3 322**
Operating profit from discontinued operations	—	—	—	—	604
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**258**	**2 652**	**548**	**(136)**	**3 926**
Cost to income ratio	67.5%	53.8%	1.4 %	n/a	53.2%
Total assets (R'million)	10 493	473 819	30 687	n/a	514 999

^ The period to 30 September 2019 has been re-presented to reflect the discontinued operations.

Net interest income

For the six months to 30 September R'million		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	174 961	3 209	3.67%	134 996	4 268	6.32%
Net core loans and advances	2	286 602	10 888	7.60%	271 178	13 150	9.70%
Private client		195 466	7 514	7.69%	186 978	9 147	9.78%
Corporate, institutional and other clients		91 136	3 374	7.40%	84 200	4 003	9.51%
Other debt securities and other loans and advances		16 875	540	6.40%	13 811	365	5.29%
Other	3	322	167	n/a	293	286	n/a
Total interest-earning assets		**478 760**	**14 804**		**420 278**	**18 069**	

For the six months to 30 September R'million		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	83 440	(1 349)	3.23%	54 395	(1 275)	4.69%
Customer accounts (deposits)		367 734	(8 902)	4.84%	343 494	(11 790)	6.86%
Subordinated liabilities	5	14 348	(503)	7.01%	15 783	(628)	7.96%
Other		1 861	(217)	n/a	1 846	(149)	n/a
Total interest-bearing liabilities		**467 383**	**(10 971)**		**415 518**	**(13 842)**	
Net interest income			**3 833**			**4 227**	
Net interest margin*			**1.60%**			**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: 1.60% (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 other securitised assets (as per the balance sheet), 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.

* Impacted by debt funding issued by the Investec Property Fund in which the group has a 24.3% (2019:26.6%) interest. Excluding the debt funding cost, the net interest margin amounted to 1.73% (2019: 2.14%)

Net fee and commission income

For the six months to 30 September R'million	**2020**	2019
Wealth & Investment net fee and commission income	**798**	**744**
Fund management fees/fees for funds under management	452	419
Private client transactional fees	360	339
Fee and commission expense	(14)	(14)
Specialist Banking net fee and commission income	**1 005**	**1 230**
Corporate and institutional transactional and advisory services *	733	919
Private client transactional fees	539	686
Fee and commission expense	(267)	(375)
Group Investments net fee and commission income	**510**	**647**
Net fee and commission income	**2 313**	**2 621**
Annuity fees (net of fees payable)	2 072	2 234
Deal fees	241	387

Trust and fiduciary fees amounted to R2.0 million (2019: R4.5 million) and is included in private client transactional fees in the group.

Included in Specialist Banking corporate and institutional transactional and advisory services is net fee income of R708.5 million (2019: R662.2 million) for operating lease income which is out of scope of IFRS 15 Revenue from Contracts with Customers.

Investment (loss)/income

For the six months to 30 September R'million	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	**Investment portfolio**	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	**Total**
2020									
Realised	116	9	—	10	135	8	(7)	—	136
Unrealised^	192	(105)	(23)	—	64	11	(478)	—	(403)
Dividend income	78	17	—	—	95	—	—	—	95
Funding and other net related (costs)/income	—	(13)	—	—	(13)	—	16	—	3
	386	**(92)**	**(23)**	**10**	**281**	**19**	**(469)**	**—**	**(169)**
2019									
Realised	64	71	—	35	170	47	(7)	(2)	208
Unrealised	275	(55)	152	(8)	364	34	(15)	(41)	342
Dividend income	130	62	—	—	192	—	—	—	192
Funding and other net related (costs)/income	—	(19)	—	—	(19)	—	2	—	(17)
	469	**59**	**152**	**27**	**707**	**81**	**(20)**	**(43)**	**725**

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

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 of IFRS 9	Total
Assets				
Cash and balances at central banks	—	12 064	—	12 064
Loans and advances to banks	—	31 477	—	31 477
Non-sovereign and non-bank cash placements	241	7 599	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	19 883	21 991	—	41 874
Sovereign debt securities	65 489	7 030	—	72 519
Bank debt securities	7 275	4 043	—	11 318
Other debt securities	8 989	6 493	—	15 482
Derivative financial instruments	21 307	—	—	21 307
Securities arising from trading activities	5 778	—	—	5 778
Investment portfolio	16 423	—	—	16 423
Loans and advances to customers	23 976	253 780	—	277 756
Own originated loans and advances to customers securitised	—	6 636	—	6 636
Other loans and advances	—	217	—	217
Other securitised assets	—	270	—	270
Interests in associated undertakings	—	—	6 805	6 805
Deferred taxation assets	—	—	2 920	2 920
Other assets	3 347	6 977	4 571	14 895
Property and equipment	—	—	3 006	3 006
Investment properties	—	—	17 253	17 253
Goodwill	—	—	219	219
Software	—	—	128	128
Other intangible assets	—	—	141	141
Non-current assets classified as held for sale	—	—	1 883	1 883
	172 708	**358 577**	**36 926**	**568 211**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	802	—	—	802
	173 510	**358 577**	**36 926**	**569 013**
Liabilities				
Deposits by banks	—	43 203	—	43 203
Derivative financial instruments	18 526	—	—	18 526
Other trading liabilities	10 277	—	—	10 277
Repurchase agreements and cash collateral on securities lent	8 933	23 859	—	32 792
Customer accounts (deposits)	34 444	330 559	—	365 003
Debt securities in issue	—	7 659	—	7 659
Liabilities arising on securitisation of own originated loans and advances	—	1 576	—	1 576
Current taxation liabilities	—	—	1 290	1 290
Deferred taxation liabilities	—	—	677	677
Other liabilities	2 106	7 102	4 810	14 018
	74 286	**413 958**	**6 777**	**495 021**
Liabilities to customers under investment contracts	744	—	—	744
Insurance liabilities, including unit-linked liabilities	58	—	—	58
	75 088	**413 958**	**6 777**	**495 823**
Subordinated liabilities	—	14 189	—	14 189
	75 088	**428 147**	**6 777**	**510 012**

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).

At 30 September 2020 R'million	**Total instruments at fair value**	**Fair value category** 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	21 307	65	21 242	—
Securities arising from trading activities	5 778	5 746	32	—
Investment portfolio	16 423	5 185	81	11 157
Loans and advances to customers	23 976	—	23 220	756
Other assets	3 347	3 347	—	—
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	802	802	—	—
	173 510	**88 554**	**73 043**	**11 913**
Liabilities				
Derivative financial instruments	18 526	—	18 526	—
Other trading liabilities	10 277	4 819	5 458	—
Repurchase agreements and cash collateral on securities lent	8 933	—	8 933	—
Customer accounts (deposits)	34 444	—	34 444	—
Other liabilities	2 106	—	1 214	892
Liabilities to customers under investment contracts	744	—	744	—
Insurance liabilities, including unit-linked liabilities	58	—	58	—
	75 088	**4 819**	**69 377**	**892**
Net financial assets/(liabilities) at fair value	**98 422**	**83 735**	**3 666**	**11 021**

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	11 168	760	11 928
Net losses included in the income statement	(166)	—	(166)
Purchases	290	4	294
Sales	(81)	(8)	(89)
Settlements	(21)	—	(21)
Foreign exchange adjustments	(33)	—	(33)
Balance at 30 September 2020	**11 157**	**756**	**11 913**

R'million	Other liabilities	Total
Balance at 1 April 2020	13	13
Issues	879	879
Balance at 30 September 2020	**892**	**892**

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/(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/(losses) included in the income statement for the period			
Investment income	(166)	8	(174)
	(166)	**8**	**(174)**

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

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

At 30 September 2020	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Assets						
Investment portfolio	11 157				**1 398**	**(1 444)**
		Price earnings	EBITDA	*	558	(489)
		Discounted cash flow	Discount rate	(0.6%)/1.4%	21	(23)
		Discounted cash flow	Cash flows	*	41	(31)
		Discounted cash flow	Property values	(10%)/10%	708	(708)
		Discounted cash flow	Precious and industrial metal prices	(6%)/6%	16	(27)
		Net asset value	Underlying asset value	^	43	(111)
		Other	Various	**	11	(55)
Loans and advances to customers	756				**52**	**(80)**
		Discounted cash flow	Property values	(5%)/5%	5	(5)
		Discounted cash flow	Cash flows	*	42	(70)
		Net asset value	Underlying asset value	^	5	(5)
Total level 3 assets	**11 913**				**1 450**	**(1 524)**
Liabilities						
Other liabilities	892	Discounted cash flow	Property values	(10%)/10%	101	(101)
Total level 3 liabilities	**892**				**101**	**(101)**

* 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 for the certain equity investments has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.

^ Underlying asset values are calculated by reference to a tangible asset.

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

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

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

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

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.

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

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period when 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	Discounted cash flow model	Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Debt securities in issue	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve
Liabilities to customers under investment contracts	Current price of underlying unitised assets	Listed prices
Insurance liabilities, including unit-linked liabilities	Current price of underlying unitised assets	Listed prices

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	21 991	21 988
Sovereign debt securities	7 030	7 152
Bank debt securities	4 043	4 195
Other debt securities	6 493	6 473
Loans and advances to customers	253 780	253 851
Liabilities		
Deposits by banks	43 203	43 450
Repurchase agreements and cash collateral on securities lent	23 859	23 955
Customer accounts (deposits)	330 559	330 566
Debt securities in issue	7 659	7 704
Subordinated liabilities	14 189	15 988

Expected credit loss impairment charges

For the six months to 30 September R'million	2020	2019
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	497	234
Own originated securitised assets	8	11
Core loans and advances	**505**	**245**
Other balance sheet assets	56	24
Off balance sheet commitments and guarantees	12	3
Total expected credit loss impairment charges	**573**	**272**

Extract of operating costs

For the six months to 30 September R'million	2020	2019
Staff costs	2 907	3 007
Premises expenses	81	100
Premises expenses (excluding depreciation)	60	83
Premises depreciation	21	17
Equipment expenses (excluding depreciation)	245	204
Business expenses	380	421
Marketing expenses	170	208
Depreciation, amortisation and impairment on property, equipment and intangibles	134	150
	3 917	**4 090**

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	41 875	29 627
Expected credit loss on amortised cost	(1)	(1)
Net reverse repurchase agreements and cash collateral on securities borrowed	**41 874**	**29 626**
Reverse repurchase agreements	34 996	24 316
Cash collateral on securities borrowed	6 878	5 310
	41 874	**29 626**
Liabilities		
Repurchase agreements	32 792	26 626
	32 792	**26 626**

Extract of other debt securities

At R'million	30 Sept 2020	31 March 2020
Gross other debt securities	15 496	17 348
Expected credit loss on amortised cost	(14)	(11)
Net other debt securities	**15 482**	**17 337**
Bonds	8 800	11 596
Floating rate notes	3 501	4 002
Asset-based securities	3 181	1 739
	15 482	**17 337**

Extract of securities arising from trading activities

At R'million	30 Sept 2020	31 March 2020
Bonds	717	452
Listed equities	4 528	9 090
Unlisted equities	32	—
Floating rate notes	453	786
Other investments	48	38
	5 778	**10 366**

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	257 586	261 877
Gross loans and advances to customers designated at FVPL at inception^	21 810	20 769
Gross loans and advances to customers subject to ECL	**279 396**	**282 646**
Expected credit loss on amortised cost	(3 917)	(3 344)
	275 479	**279 302**
Loans and advances to customers at fair value	2 277	2 384
Net loans and advances to customers	**277 756**	**281 686**
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	**270**	**497**

Other assets

At R'million	30 Sept 2020	31 March 2020
Gross other assets	14 895	12 846
Expected credit loss on amortised cost	—	(1)
Net other assets	**14 895**	**12 845**
Settlement debtors	5 015	3 736
Trading properties	801	701
Prepayments and accruals	946	709
Trading initial margin	2 452	1 786
Other investments	896	270
Commodities	1 423	1 782
Fee debtors	44	42
Corporate tax assets	340	45
Other	2 978	3 774
	14 895	**12 845**

Debt securities in issue

At R'million	30 Sept 2020	31 March 2020
Repayable in:		
Less than three months	1 040	915
Three months to one year	1 746	1 882
One to five years	4 797	4 530
Greater than five years	76	307
	7 659	**7 634**

Extract of other liabilities

At R'million	30 Sept 2020	31 March 2020
Settlement liabilities	6 449	5 468
Other creditors and accruals	1 006	1 093
Other non-interest-bearing liabilities	5 379	5 467
Dividends Rewards Programme liability	650	644
Lease liability	208	228
Long service employee benefits liability	250	150
Expected credit loss on off balance sheet commitments and guarantees	76	64
	14 018	**13 114**

Extract of perpetual preference share capital

At R'million	30 Sept 2020	31 March 2020
Perpetual preference share capital	*	*
Perpetual preference share premium	3 183	3 183
	3 183	**3 183**

* Less than R1 million.

Extract of deferred taxation

At R'million	30 Sept 2020	31 March 2020
Losses carried forward	367	337
	367	**337**

Extract of subordinated liabilities

At R'million	30 Sept 2020	31 March 2020
Remaining maturity:		
In one year or less, or on demand	2 046	260
In more than one year, but not more than two years	8 852	6 251
In more than two years, but not more than five years	3 291	7 872
	14 189	**14 383**

Offsetting

	Amounts subject to enforceable netting arrangements				
	Effects of offsetting on balance sheet			Related amounts not offset	
At 30 September 2020 **R'million**	**Gross amounts**	**Amounts offset**	**Net amounts reported on the balance sheet**	**Financial instruments (including non-cash collateral)**	**Net amount**
Assets					
Cash and balances at central banks	12 064	—	12 064	—	12 064
Loans and advances to banks	46 440	(14 963)	31 477	(325)	31 152
Non-sovereign and non-bank cash placements	7 840	—	7 840	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	42 868	(994)	41 874	(7 465)	34 409
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	15 482	—	15 482	(2 216)	13 266
Derivative financial instruments	25 350	(4 043)	21 307	(11 958)	9 349
Securities arising from trading activities	13 371	(7 593)	5 778	(1 673)	4 105
Investment portfolio	16 423	—	16 423	—	16 423
Loans and advances to customers	280 805	(3 049)	277 756	—	277 756
Own originated loans and advances to customers securitised	6 636	—	6 636	—	6 636
Other loans and advances	217	—	217	—	217
Other securitised assets	270	—	270	—	270
Other assets	14 895	—	14 895	—	14 895
	566 498	**(30 642)**	**535 856**	**(44 847)**	**491 009**
Liabilities					
Deposits by banks	44 495	(1 292)	43 203	—	43 203
Derivative financial instruments	36 239	(17 713)	18 526	(11 958)	6 568
Other trading liabilities	10 277	—	10 277	—	10 277
Repurchase agreements and cash collateral on securities lent	33 786	(994)	32 792	(32 684)	108
Customer accounts (deposits)	368 052	(3 049)	365 003	—	365 003
Debt securities in issue	7 659	—	7 659	—	7 659
Liabilities arising on securitisation of own originated loans and advances	1 576	—	1 576	—	1 576
Other liabilities	21 611	(7 593)	14 018	—	14 018
Subordinated liabilities	14 189	—	14 189	—	14 189
	537 884	**(30 641)**	**507 243**	**(44 642)**	**462 601**

At 31 March 2020 R'million	Amounts subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Financial instruments (including non-cash collateral)	Net amount
Assets					
Cash and balances at central banks	36 656	—	36 656	—	36 656
Loans and advances to banks	34 426	(14 890)	19 536	(304)	19 232
Non-sovereign and non-bank cash placements	14 014	—	14 014	—	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	29 626	—	29 626	—	29 626
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	17 337	—	17 337	(2 337)	15 000
Derivative financial instruments	31 711	(14 280)	17 431	(9 381)	8 050
Securities arising from trading activities	16 125	(5 759)	10 366	(1 542)	8 824
Investment portfolio	16 564	—	16 564	—	16 564
Loans and advances to customers	284 308	(2 622)	281 686	—	281 686
Own originated loans and advances to customers securitised	7 192	—	7 192	—	7 192
Other loans and advances	242	—	242	—	242
Other securitised assets	497	—	497	—	497
Other assets	12 845	—	12 845	—	12 845
	578 166	**(37 551)**	**540 615**	**(37 265)**	**503 350**
Liabilities					
Deposits by banks	50 424	(3 591)	46 833	—	46 833
Derivative financial instruments	48 048	(25 579)	22 469	(9 381)	13 088
Other trading liabilities	8 660	—	8 660	—	8 660
Repurchase agreements and cash collateral on securities lent	26 626	—	26 626	(24 824)	1 802
Customer accounts (deposits)	378 078	(2 622)	375 456	—	375 456
Debt securities in issue	7 634	—	7 634	—	7 634
Liabilities arising on securitisation of own originated loans and advances	1 699	—	1 699	—	1 699
Other liabilities	18 873	(5 759)	13 114	—	13 114
Subordinated liabilities	14 383	—	14 383	—	14 383
	554 425	**(37 551)**	**516 874**	**(34 205)**	**482 669**

Discontinued operations

On 14 September 2018, the Boards of Investec plc and Investec Limited announced that the long-term interests of Investec shareholders, clients, employees and other stakeholders would be best served by separating and listing the global Asset Management business ("Ninety One").

This is expected to enhance returns for shareholders through greater focus, simplicity and disciplined growth.

The Investec shareholder meetings to approve the proposals were held on 10 February 2020. The proposals were approved by the relevant Investec shareholders at the General Meeting and the Court Meeting and by the court.

The effective date of the Asset Management business demerger was 13 March 2020 and admission of the Ninety One Limited shares and the Ninety One plc shares to the Johannesburg Stock Exchange and London Stock Exchange respectively was effected on 16 March 2020. The demerger was implemented by way of a distribution of Ninety One Limited shares to Investec Limited's shareholders.

The table below present the income statement from discontinued operations for the period ended 30 September 2019 and year ended 31 March 2020.

R'million	Six months to 30 Sept 2019	**Year to 31 March 2020**
Net interest income	40	74
Fee and commission income	1 781	3 631
Fee and commission expense	(44)	(95)
Trading income arising from		
– balance sheet management and other trading liabilities	(2)	(2)
Other operating income	11	14
Operating income	**1 786**	**3 622**
Operating costs	(1 083)	(2 143)
Operating profit before goodwill, acquired intangibles, strategic actions and non-controlling interests	**703**	**1 479**
Profit attributable to non-controlling interests from discontinued operations	(99)	(210)
Operating profit	**604**	**1 269**
Gain on partial disposal of subsidiary and implementation costs	(82)	5 900
Profit before taxation	**522**	**7 169**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions and acquired intangibles	(200)	(395)
Taxation on acquired intangibles and partial disposal of subsidiary	10	(310)
Earnings attributable to shareholders from discontinued operations	**332**	**6 464**

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.

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.

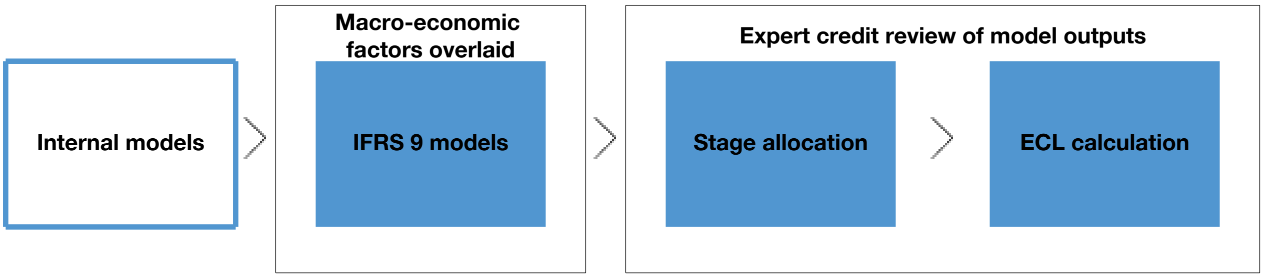
Key drivers of measurement uncertainty – subjective elements and inputs

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

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

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the group's ECL methodology, which are not considered to have a material impact. This 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 uncertainty and key judgements

Forward-looking macro-economic scenarios

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

For Investec Limited, 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.

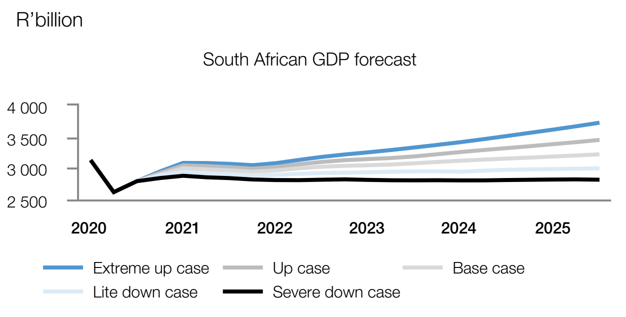
The up case is depicted by a relatively quick rebound from the COVID-19 pandemic globally and domestically, with rising confidence and investment levels. South Africa's structural problems are worked down and no further credit rating downgrades occur. The rating outlooks eventually become positive, with 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 their relative applied weightings of these 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 price growth	1.9	0.7	(0.7)	(1.5)	(2.2)	4.1	2.0	0.1	(1.8)	(4.3)
Exchange rate (South African Rand:US 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 over a five-year period based on economic forecasts in place 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	5.0	5.1
Bond yield	9.9	10.2	10.6	10.7	11.0
Residential property price growth	2.0	2.6	3.5	4.7	5.2
Commercial property price growth	(8.1)	(1.8)	0.5	1.0	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 R3.9 billion since 31 March 2020 to R288.3 billion (2.7%) 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 residential mortgage portfolio and single name exposures particularly affected by COVID-19.

Stage 3 exposures increased by R2.5 billion to R7.0 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 33.3% and the remaining net exposure is considered well covered by collateral.

R'million	**30 Sept 2020**	31 March 2020
Gross core loans	**288 333**	**292 238**
of which subject to ECL*	286 056	289 854
of which FVPL (excluding fixed rate loans above)	2 277	2 384
Gross core loans subject to ECL	**286 056**	**289 854**
Stage 1	260 766	270 105
Stage 2	18 308	15 289
of which past due greater than 30 days	*596*	*1 297*
Stage 3	6 982	4 460
ECL	**(3 941)**	**(3 360)**
Stage 1	(1 183)	(1 057)
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	33.3%	42.2%
Annualised credit loss ratio	**0.35%**	**0.36%**
ECL impairment charges on core loans	(506)	(1 021)
Average gross core loans subject to ECL	287 955	280 856
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	4 659	2 580
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	56.4%	75.3%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.7%	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 movements 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	**270 105**	**(1 057)**	**15 289**	**(423)**	**4 460**	**(1 880)**	**289 854**	**(3 360)**
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)	(2 359)	2	(1 207)	17	48	(6)	(3 518)	13
Changes to risk parameters and models	—	(146)	—	27	—	(177)	—	(296)
Foreign exchange and other	(233)	10	(30)	(1)	(17)	5	(280)	14
At 30 September 2020	**260 766**	**(1 183)**	**18 308**	**(435)**	**6 982**	**(2 323)**	**286 056**	**(3 941)**

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2019	**257 297**	**(538)**	**10 768**	**(441)**	**3 794**	**(1 722)**	**271 859**	**(2 701)**
Transfer from Stage 1	(8 374)	175	7 835	(117)	539	(58)	—	—
Transfer from Stage 2	2 906	(5)	(3 056)	38	150	(33)	—	—
Transfer from Stage 3	77	(3)	211	(1)	(288)	4	—	—
ECL remeasurement arising from transfer of stage	—	37	—	(97)	—	(57)	—	(117)
New lending net of repayments (includes assets written off)	2 973	(79)	(386)	12	(487)	195	2 100	128
Changes to risk parameters and models	—	(86)	—	(87)	—	85	—	(88)
Foreign exchange and other	1 098	(109)	(455)	20	(226)	149	417	60
At 30 September 2019	**256 977**	**(608)**	**14 917**	**(673)**	**3 482**	**(1 437)**	**274 376**	**(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	65 463	(335)	1 489	(36)	1 437	(612)	68 389	(983)	—	68 389
Total high net worth and other private client lending	**139 660**	**(420)**	**6 058**	**(156)**	**2 971**	**(947)**	**148 689**	**(1 523)**	**—**	**148 689**
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	65 682	(261)	2 061	(126)	499	(421)	68 242	(808)	—	68 242
Total high net worth and other private client lending	**142 155**	**(354)**	**4 515**	**(182)**	**1 703**	**(711)**	**148 373**	**(1 247)**	**—**	**148 373**
Coverage ratio	**0.25%**		**4.0%**		**41.7%**		**0.8%**			

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

R'million	Gross core loans at amortised cost and FVPL (subject to ECL)								Gross core loans at FVPL (not subject to ECL)	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 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	42 711	(253)	4 622	(142)	1 583	(41)	48 916	(436)	1 673	50 589
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	**74 461**	**(401)**	**9 460**	**(244)**	**3 401**	**(1 297)**	**87 322**	**(1 942)**	**2 277**	**89 599**
Coverage ratio	**0.54%**		**2.6%**		**38.1%**		**2.2%**			
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	46 115	(239)	6 160	(164)	648	(89)	52 923	(492)	2 384	55 307
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	**80 512**	**(365)**	**9 408**	**(235)**	**2 194**	**(1 059)**	**92 114**	**(1 659)**	**2 384**	**94 498**
Coverage ratio	**0.45%**		**2.5%**		**48.3%**		**1.8%**			

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 the 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	**148 689**	**1 910**	**1.3%**
Lending collateralised by property	80 300	972	1.2%
High net worth lending	68 389	938	1.4%
Corporate and other lending	**89 599**	**5 588**	**6.2%**
Total	**288 333**	**9 394**	**3.3%**

An 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
Hotel	2 015	91	100	—	2 206	1 785	76	104	—	1 965
Automotive manufacturing 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	—	2 976	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%**	**1.4%**	**14.5%**	**—**	**2.1%**	**0.3%**	**2.4%**	**11.9%**	**—**	**1.8%**

Clothing retailers excludes general banking facilities (GBFs) of R850 million (30 September 2020: nil drawn, 31 March 2020: R471million drawn).
^ Automotive manufacturers and suppliers excludes GBFs and corporate bonds of R1.3billion (31 March 2020: R2.3billion).

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled R588.6 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. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 96% of overall ECLs.

An analysis of gross credit and counterparty exposures

R'million	30 Sept 2020	31 March 2020
Cash and balances at central banks	11 711	36 390
Loans and advances to banks	31 469	19 540
Non-sovereign and non-bank cash placements	7 878	14 045
Reverse repurchase agreements and cash collateral on securities borrowed	41 875	29 627
Sovereign debt securities	72 522	64 362
Bank debt securities	11 322	12 270
Other debt securities	15 496	17 348
Derivative financial instruments	19 186	16 256
Securities arising from trading activities	2 955	1 484
Loans and advances to customers	281 673	285 030
Own originated loans and advances to customers securitised	6 660	7 208
Other loans and advances	242	267
Other assets	—	1 773
Total on-balance sheet exposures	**502 989**	**505 600**
Guarantees	14 789	17 313
Committed facilities related to loans and advances to customers	61 949	56 024
Contingent liabilities, letters of credit and other	8 833	9 380
Total off-balance sheet exposures	**85 571**	**82 717**
Total gross credit and counterparty exposures	**588 560**	**588 317**

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	31 469	—	31 469	(3)	11	31 477
Non-sovereign and non-bank cash placements	7 878	241	7 637	(38)	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	41 875	19 883	21 992	(1)	—	41 874
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	15 496	2 071	13 425	(21)	—	15 475
Derivative financial instruments	19 186	19 186	—	—	2 121	21 307
Securities arising from trading activities	2 955	2 955	—	—	2 823	5 778
Investment portfolio	—	—	—	—	16 423 *	16 423
Loans and advances to customers	281 673	24 086	257 587	(3 917)	—	277 756
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	—	—	—	—	270 ^^	270
Interest in associated undertakings	—	—	—	—	6 805	6 805
Deferred taxation assets	—	—	—	—	2 920	2 920
Other assets	—	—	—	—	14 895 **	14 895
Property and equipment	—	—	—	—	3 006	3 006
Investment properties	—	—	—	—	17 253	17 253
Goodwill	—	—	—	—	219	219
Intangible assets	—	—	—	—	141	141
Software	—	—	—	—	128	128
Other financial instruments at FVPL in respect of liabilities to customers	—	—	—	—	802	802
Non-current assets classified as held for resale	—	—	—	—	1 883	1 883
Total on-balance sheet exposures	**502 989**	**76 607**	**426 382**	**(4 085)**	**70 053**	**568 957**
Guarantees	14 789	—	14 789	(8)	1 031	15 812
Committed facilities related to loans and advances to customers	61 949	—	61 949	(68)	140	62 021
Contingent liabilities, letters of credit and other	8 833	3 816	5 017	—	16 179	25 012
Total off-balance sheet exposures	**85 571**	**3 816**	**81 755**	**(76)**	**17 350**	**102 845**
Total exposures	**588 560**	**80 423**	**508 137**	**(4 161)**	**87 403**	**671 802**

^ 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	19 540	—	19 540	(4)	—	19 536
Non-sovereign and non-bank cash placements	14 045	545	13 500	(31)	—	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	29 627	18 249	11 378	(1)	—	29 626
Sovereign debt securities	64 362	6 883	57 479	(39)	—	64 323
Bank debt securities	12 270	289	11 981	(11)	—	12 259
Other debt securities	17 348	3 736	13 612	(18)	—	17 330
Derivative financial instruments	16 256	16 256	—	—	1 175	17 431
Securities arising from trading activities	1 484	1 484	—	—	8 882	10 366
Investment portfolio	—	—	—	—	16 564 *	16 564
Loans and advances to customers	285 030	23 153	261 877	(3 344)	—	281 686
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	—	—	—	—	497 ^^	497
Interest in associated undertakings	—	—	—	—	6 924	6 924
Deferred taxation assets	—	—	—	—	2 996	2 996
Other assets	1 773	—	1 773	(1)	11 073 **	12 845
Property and equipment	—	—	—	—	3 093	3 093
Investment properties	—	—	—	—	19 137	19 137
Goodwill	—	—	—	—	219	219
Intangible assets	—	—	—	—	318	318
Other financial instruments at FVPL in respect of liabilities to customers					780	780
Non-current assets classified as held for resale	—	—		—	1 305	1 305
Total on-balance sheet exposures	**505 600**	**70 595**	**435 005**	**(3 491)**	**73 230**	**575 339**
Guarantees	17 313	—	17 313	(16)	978	18 275
Committed facilities related to loans and advances to customers	56 024	—	56 024	(48)	—	55 976
Contingent liabilities, letters of credit and other	9 380	4 642	4 738	—	14 993	24 373
Total off-balance sheet exposures	**82 717**	**4 642**	**78 075**	**(64)**	**15 971**	**98 624**
Total exposures	**588 317**	**75 237**	**513 080**	**(3 555)**	**89 201**	**673 963**

^ 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 months	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	30 745	503	200	21	—	—	31 469
Non-sovereign and non-bank cash placements	7 878	—	—	—	—	—	7 878
Reverse repurchase agreements and cash collateral on securities borrowed	33 533	1 601	98	5 989	654	—	41 875
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	—	2 221	960	8 156	1 612	2 547	15 496
Derivative financial instruments	3 179	3 261	3 329	6 802	2 245	370	19 186
Securities arising from trading activities	108	98	120	997	231	1 401	2 955
Loans and advances to customers	28 940	15 440	33 878	155 469	31 009	16 937	281 673
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	**129 631**	**31 948**	**48 832**	**196 800**	**63 432**	**32 346**	**502 989**
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	11 279	3 997	22 551	61 949
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**	**23 928**	**4 192**	**23 885**	**85 571**
Total gross credit and counterparty	**153 698**	**33 773**	**56 506**	**220 728**	**67 624**	**56 231**	**588 560**

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	—	—	—	—	—	—	31 469
Non-sovereign and non-bank cash placements	—	—	650	—	—	832	2 576
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	—	64	40 617
Sovereign debt securities	—	—	—	—	72 522	—	—
Bank debt securities	—	—	—	—	—	—	11 322
Other debt securities	—	—	—	2 746	—	917	7 591
Derivative financial instruments	—	—	55	1 233	193	472	14 449
Securities arising from trading activities	—	—	—	80	1 725	—	1 010
Loans and advances to customers	142 030	50 045	3 296	7 381	3 142	8 074	19 457
Own originated loans and advances to customers securitised	6 659	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—
Total on-balance sheet exposures	**148 689**	**50 045**	**4 001**	**11 440**	**89 293**	**10 359**	**128 491**
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	**196 421**	**57 639**	**5 290**	**14 197**	**90 631**	**12 875**	**135 395**

Retailers and wholesalers	Manufac-turing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	11 711
—	—	—	—	—	—	—	—	—	31 469
388	866	292	494	—	364	25	431	960	7 878
7	—	—	240	—	95	—	852	—	41 875
—	—	—	—	—	—	—	—	—	72 522
—	—	—	—	—	—	—	—	—	11 322
5	1 451	—	494	—	—	—	944	1 348	15 496
33	144	—	1 856	—	305	198	18	230	19 186
27	44	—	—	—	—	—	69	—	2 955
5 638	8 343	1 525	13 278	—	2 231	3 536	7 683	6 014	281 673
—	—	—	1	—	—	—	—	—	6 660
—	55	—	—	187	—	—	—	—	242
—	—	—	—	—	—	—	—	—	—
6 098	**10 903**	**1 817**	**16 363**	**187**	**2 995**	**3 759**	**9 997**	**8 552**	**502 989**
279	2 340	177	102	—	107	23	30	84	14 789
2 867	1 420	193	1 055	—	1 063	18	1 426	1 201	61 949
150	196	5	10	3	629	—	24	2 039	8 833
3 296	**3 956**	**375**	**1 167**	**3**	**1 799**	**41**	**1 480**	**3 324**	**85 571**
9 394	**14 859**	**2 192**	**17 530**	**190**	**4 794**	**3 800**	**11 477**	**11 876**	**588 560**

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	—	—	—	—	—	—	19 540
Non-sovereign and non-bank cash placements	—	—	1 101	—	—	1 226	2 051
Reverse repurchase agreements and cash collateral on securities borrowed	170	—	—	—	—	12	28 381
Sovereign debt securities	—	—	—	—	64 362	—	—
Bank debt securities	—	—	—	—	—	—	12 270
Other debt securities	—	—	—	2 547	—	630	8 804
Derivative financial instruments	—	—	353	517	—	426	11 797
Securities arising from trading activities	—	—	—	80	299	—	423
Loans and advances to customers	141 165	49 367	2 755	7 884	4 011	8 179	22 585
Own originated loans and advances to customers securitised	7 208	—	—	—	—	—	—
Other loans and advances	—	—	—	—	—	—	—
Other assets	—	—	—	—	1 660	2	34
Total on-balance sheet exposures	**148 543**	**49 367**	**4 209**	**11 028**	**106 722**	**10 475**	**105 885**
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	2 861
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**	**8 501**
Total gross credit and counterparty exposures	**193 783**	**57 875**	**4 784**	**14 248**	**108 350**	**11 228**	**114 386**

Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertain-ment and tourism	Transport	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	36 390
—	—	—	—	—	—	—	—	—	19 540
3 325	2 495	323	841	—	468	25	1 217	973	14 045
6	—	—	223	—	92	—	743	—	29 627
—	—	—	—	—	—	—	—	—	64 362
—	—	—	—	—	—	—	—	—	12 270
25	1 508	—	1 619	—	—	—	883	1 332	17 348
16	383	—	1 547	—	865	122	80	150	16 256
43	371	—	—	—	68	—	74	126	1 484
5 543	8 527	1 317	13 545	—	2 507	3 111	7 798	6 736	285 030
—	—	—	—	—	—	—	—	—	7 208
—	68	—	—	199	—	—	—	—	267
66	11	—	—	—	—	—		—	1 773
9 024	**13 363**	**1 640**	**17 775**	**199**	**4 000**	**3 258**	**10 795**	**9 317**	**505 600**
1 319	2 375	15	64	—	164	310	—	87	17 313
959	1 267	167	640	—	2 049	203	934	1 161	56 024
18	105	5	7	3	710	—	31	1 699	9 380
2 296	**3 747**	**187**	**711**	**3**	**2 923**	**513**	**965**	**2 947**	**82 717**
11 320	**17 110**	**1 827**	**18 486**	**202**	**6 923**	**3 771**	**11 760**	**12 264**	**588 317**

Investment risk in the banking book

Investment risk in the banking book comprises 4.2% of total assets as 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 March 2020	Valuation change stress test 31 March 2020*
Unlisted investments**^	6 318	948	6 421	963
Listed equities	1 628	407	2 544	636
Investment and trading properties	6 975	778	7 390	809
The IEP Group^^	5 626	844	5 611	842
Investment in Ninety One	3 547	n/a	2 769	n/a
Total	**24 094**	**2 977**	**24 735**	**3 250**

** Includes the fair value loans investments of R2.7 billion (31 March 2020: R2.6 billion).

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 24.3% (31 March 2020: 24.3%).

^^ 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%.

Investec Limited has an 8.9% shareholding in Ninety One (previously know as Investec Asset Management). As a founding shareholder of Ninety One, the boards of both the Investec group and Ninety One believe that it is appropriate for the Investec group to retain a modest shareholding in Ninety One. Investec believes Ninety One is an attractive business with meaningful intrinsic value. Retaining an equity stake allows the Investec group to participate in future value creation by Ninety One.

* 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	10%
Investment properties	20%

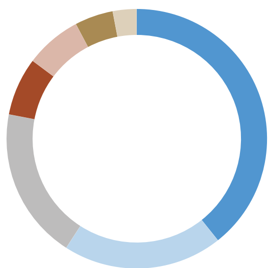
Stress testing summary

Based on the information at 30 September 2020, as reflected above, we could have a R3.0 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily cause the group 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 of exposure (excluding investment and trading properties)

30 September 2020

R13 572 million



Manufacturing and commerce	39.3 %
Real estate	19.8 %
Finance and insurance	18.9 %
Mining and resources	7.2 %
Communication	7.0 %
Electricity, gas and water (utility services)	4.8 %
Other	3.0 %

Securitisation/structured credit activities exposures

Overview

The group'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 group applies a combination of the advanced and standardised approach in the assessment of regulatory capital for securitisation.

We engage 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 group 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 at 30 September 2020 (31 March 2020: R1.0 billion), rated UK residential 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: R1.6 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 and structured credit activities exposures

Nature of exposure/activity	Exposure 30 Sept 2020 R'million	Exposure 31 March 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. 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	8.0	6.0	10.2	3.4	5.8	4.2	8.1	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*	**10.8**	**8.0**	**12.8**	**5.2**	**6.9**	**5.3**	**10.0**	**3.4**

* 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 (diversification).

Expected shortfall

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

95% one-day ES R'million	**30 Sept 2020 Period end**	31 March 2020 Year end
Commodities	0.2	0.1
Equities	24.5	8.4
Foreign exchange	1.1	1.6
Interest rates	14.5	5.9
Consolidated*	**33.2**	**10.8**

* 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	29.7	24.9

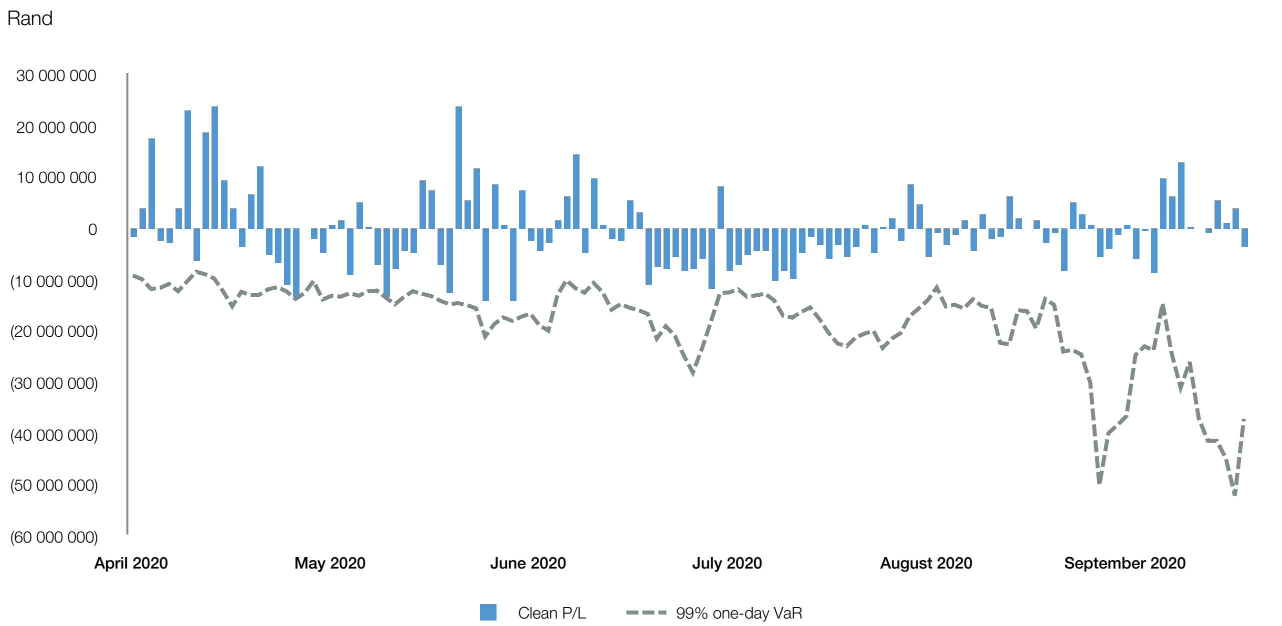
Backtesting

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.

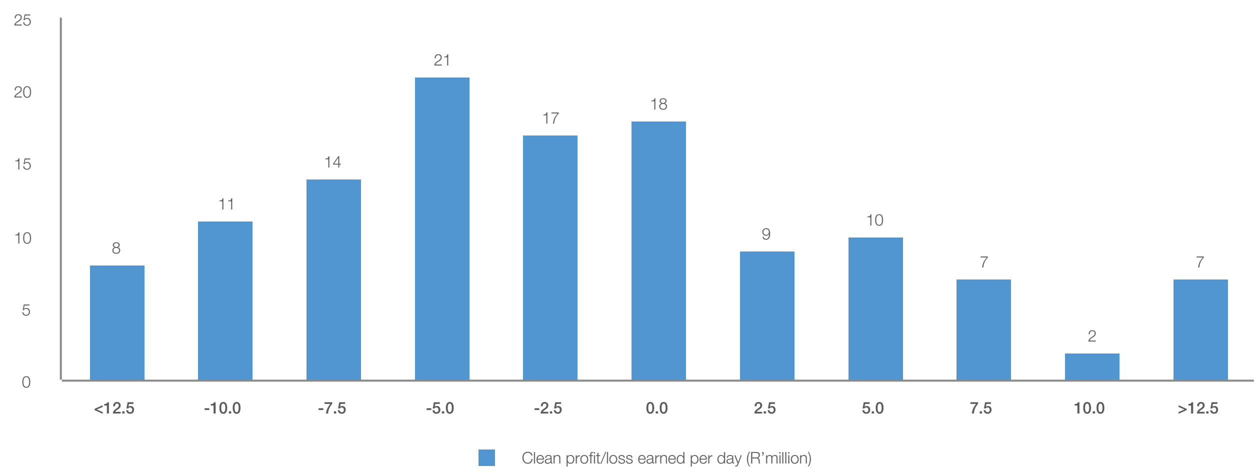
	30 September 2020				31 March 2020			
99% EVT R'million	**Period end**	Average	High	Low	**Year end**	Average	High	Low
Commodities	1.4	1.3	4.8	0.2	0.6	0.5	1.8	0.1
Equities	56.5	59.9	86.2	19.3	31.7	18.9	69.9	7.0
Foreign exchange	6.8	3.2	11.7	1.0	3.4	6.3	15.5	2.1
Interest rates	37.3	24.9	84.9	6.4	25.8	8.3	32.7	2.1
Consolidated#	**67.9**	65.5	98.5	19.6	**40.6**	20.7	82.4	8.6

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

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the period for our trading business. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 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 -R0.5 million (six months to 30 September 2019: R2.1million).

Clean profit and loss (excluding fees and hedge costs included in new trades 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

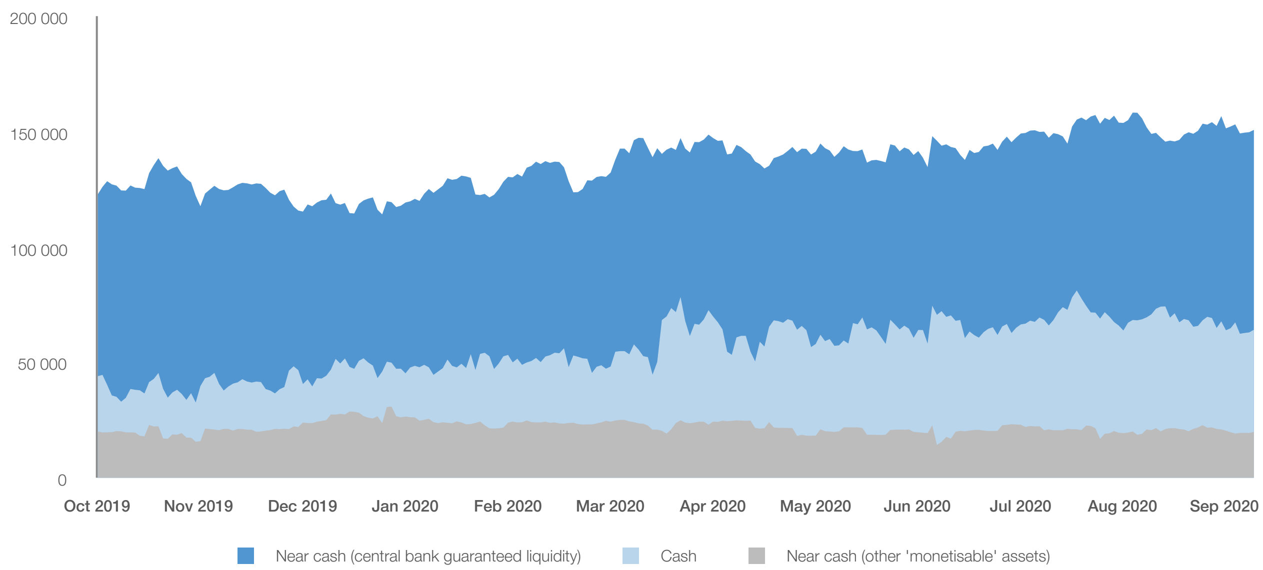
Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises 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 group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business without adversely affecting its financial position or its reputation
- **Market liquidity:** this relates to the risk that the group 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.

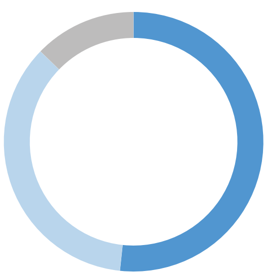
Cash and near cash trend

R'million



An analysis of cash and near cash at 30 September 2020

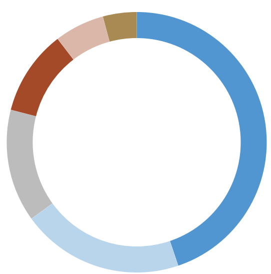
R143.2 billion



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

Bank and non-bank depositor concentration by type at 30 September 2020

R408.2 billion



Non-bank financials	44.8 %
Individuals	20.2 %
Non-financial corporates	14.0 %
Banks	10.6 %
Small business	6.2 %
Public sector	4.2 %

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 group 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 months	Three to six months	Six months to one year	One to five years	> Five years	**Total**
Cash and short-term funds – banks	36 064	5 179	1 797	501	—	—	—	43 541
Cash and short-term funds – non-banks	6 779	205	38	—	—	—	818	7 840
Investment/trading assets and statutory liquids	47 032	45 586	2 888	8 423	10 502	51 208	43 120	208 759
Securitised assets	—	—	—	—	—	3 318	3 588	6 906
Advances	3 201	8 950	9 126	11 873	19 998	114 872	109 953	277 973
Other assets	867	495	4 940	553	—	4 061	12 276	23 192
Assets	**93 943**	**60 415**	**18 789**	**21 350**	**30 500**	**173 459**	**169 755**	**568 211**
Deposits – banks	(1 452)	(696)	(38)	(94)	(13 376)	(27 297)	(250)	(43 203)
Deposits – non-banks	(168 507)	(21 887)	(62 671)	(38 531)	(34 117)	(35 710)	(3 580)	(365 003)
Negotiable paper	—	(266)	(836)	(1 736)	(722)	(3 679)	(420)	(7 659)
Securitised liabilities	—	—	—	—	—	—	(1 576)	(1 576)
Investment/trading liabilities	(486)	(26 680)	(6 572)	(2 842)	(11 570)	(11 112)	(2 333)	(61 595)
Subordinated liabilities	—	—	—	(260)	(1 161)	(12 144)	(624)	(14 189)
Other liabilities	(4 201)	(1 614)	(430)	(315)	(1 755)	(555)	(7 115)	(15 985)
Liabilities	**(174 646)**	**(51 143)**	**(70 547)**	**(43 778)**	**(62 701)**	**(90 497)**	**(15 898)**	**(509 210)**
Total equity	—	—	—	—	—	—	(59 001)	(59 001)
Contractual liquidity gap	**(80 703)**	**9 272**	**(51 758)**	**(22 428)**	**(32 201)**	**82 962**	**94 856**	**—**
Cumulative liquidity gap	(80 703)	(71 431)	(123 189)	(145 617)	(177 818)	(94 856)	—	—

Behavioural liquidity

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	**Total**
Behavioural liquidity gap	53 682	14 509	(4 007)	3 835	(25 055)	(153 760)	110 796	—
Cumulative	53 682	68 191	64 184	68 019	42 964	(110 796)	—	

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 group 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	27 890	119	—	—	—	11 368	39 377
Cash and short-term funds – non-banks	7 840	—	—	—	—	—	7 840
Investment/trading assets and statutory liquids	62 052	12 085	9 199	20 513	23 191	45 897	172 937
Securitised assets	6 906	—	—	—	—	—	6 906
Advances	250 927	3 726	1 749	19 673	749	1 093	277 917
Other assets	3 098	—	508	5 754	—	20 863	30 223
Assets	**358 713**	**15 930**	**11 456**	**45 940**	**23 940**	**79 221**	**535 200**
Deposits – banks	(35 874)	(30)	(4 228)	(2 821)	(250)	—	(43 203)
Deposits – non-banks	(301 735)	(25 571)	(12 347)	(7 790)	(623)	(16 937)	(365 003)
Negotiable paper	(2 028)	(929)	(369)	(3 767)	(420)	(146)	(7 659)
Securitised liabilities	(1 576)	—	—	—	—	—	(1 576)
Investment/trading liabilities	(8 632)	—	(4 271)	(1 071)	(1 118)	(5 847)	(20 939)
Subordinated liabilities	(9 016)	(101)	(190)	(4 882)	—	—	(14 189)
Other liabilities	—	—	—	—	—	(14 279)	(14 279)
Liabilities	**(358 861)**	**(26 631)**	**(21 405)**	**(20 331)**	**(2 411)**	**(37 209)**	**(466 848)**
Total equity	(5 444)	—	—	—	(981)	(52 576)	(59 001)
Balance sheet	**(5 592)**	**(10 701)**	**(9 949)**	**25 609**	**20 548**	**(10 564)**	**9 351**
Off-balance sheet	3 474	17 107	10 895	(18 601)	(22 226)	—	(9 351)
Repricing gap	**(2 118)**	**6 406**	**946**	**7 008**	**(1 678)**	**(10 564)**	**—**
Cumulative repricing gap	(2 118)	4 288	5 234	12 242	10 564	—	

Economic value sensitivity at 30 September 2020

As outlined above, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The table below reflects our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. 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	(309.2)	0.7	(2.4)	0.7	0.1	(0.6)	**(320.3)**
200bps up	195.8	(0.9)	4.1	(0.7)	(0.2)	0.8	**229.4**

Capital structure and capital adequacy

R'million	30 Sept 2020^	31 March 2020^
Shareholders' equity	**42 807**	**39 903**
Shareholders' equity per balance sheet	45 990	43 086
Perpetual preference share capital and share premium	(3 183)	(3 183)
Non-controlling interests	**–**	**–**
Non-controlling interests per balance sheet	10 467	11 045
Non-controlling interests excluded for regulatory purposes	(10 467)	(11 045)
Regulatory adjustments to the accounting basis	**1 367**	**1 518**
Prudent valuation adjustment	(245)	(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	**(4 008)**	**(4 554)**
Goodwill and intangible assets net of deferred tax	(488)	(537)
Investment in financial entity	(1 422)	(1 662)
Shortfall of eligible provisions compared to expected loss	(678)	(629)
Investment in capital of financial entities above 10% threshold	(896)	(692)
Amount of deductions exceeding 15% threshold	(452)	(961)
Other regulatory adjustments	(72)	(73)
Common equity tier 1 capital	**40 166**	**36 867**
Additional Tier 1 capital	**1 874**	**1 902**
Additional tier 1 instruments	5 727	5 727
Phase out of non-qualifying additional tier 1 instruments	(3 774)	(3 774)
Non-qualifying surplus capital attributable to non-controlling interest	(79)	(51)
Tier 1 capital	**42 040**	**38 769**
Tier 2 capital	**11 401**	**11 885**
Collective impairment allowances	904	896
Tier 2 instruments	14 189	14 383
Investment in capital of financial entities above 10% threshold	(554)	(647)
Non-qualifying surplus capital attributable to non-controlling interests	(3 138)	(2 747)
Total regulatory capital	**53 441**	**50 654**
Risk-weighted assets	**345 723**	**337 755**
Capital ratios		
Common equity tier 1 ratio	11.6%	10.9%
Tier 1 ratio	12.2%	11.5%
Total capital adequacy ratio	15.5%	15.0%

^ Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET 1 ratio would be 36bps lower (31 March 2020: 24bps lower).

Capital requirements

R'million	30 Sept 2020	31 March 2020
Capital requirements	**36 301**	**38 842**
Credit risk	28 124	30 324
Equity risk	3 205	3 499
Counterparty credit risk	888	1 012
Credit valuation adjustment risk	338	272
Market risk	723	541
Operational risk	3 023	3 194
Risk-weighted assets	**345 723**	**337 755**
Credit risk	267 851	263 690
Equity risk	30 519	30 428
Counterparty credit risk	8 457	8 796
Credit valuation adjustment risk	3 215	2 363
Market risk	6 886	4 701
Operational risk	28 795	27 777

Leverage

R'million	30 Sept 2020^	31 March 2020
Exposure measure	**597 197**	**604 762**
Tier 1 capital	42 040	38 769
Leverage ratio- current**	**7.0%**	**6.4%**
Tier 1 capital 'fully loaded'^^	41 155	37 866
Leverage ratio- 'fully loaded'^^**	**6.9%**	**6.3%**

A summary of capital adequacy and leverage ratios

R'million	30 Sept 2020^	31 March 2020
Common equity tier 1 (as reported)	11.6%	10.9%
Common equity tier 1 ('fully loaded')^^	11.6%	10.9%
Tier 1 (as reported)	12.2%	11.5%
Total capital adequacy ratio (as reported)	15.5%	15.0%
Leverage ratio** – current	7.0%	6.4%
Leverage ratio** – 'fully loaded'^^	6.9%	6.3%

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

^ Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's CET 1 ratio would be 36bps lower (31 March 2020: 24bps 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.

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.

Adjusted operating profit — Refer to the calculation in the table below

R'million	30 Sept 2020	30 Sept 2019	31 March 2020
Operating profit before goodwill and acquired intangibles	1 731	3 852	6 523
Add: Loss/(profit) attributable to other non-controlling interests	316	(530)	(1 258)
Adjusted operating profit	**2 047**	**3 322**	**5 265**

Annuity income — Net interest income (refer to page 11) plus net annuity fees and commissions (refer to page 12)

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 to customers per the balance sheet	277 756	281 686
Add: own originated loans and advances to customers per the balance sheet	6 636	7 192
Net core loans	**284 392**	**288 878**
of which subject to ECL*	282 115	286 494
Net core loans at amortised cost	260 416	265 792
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)	2 277	2 384
Add: ECL	3 941	3 360
Gross core loans	**288 333**	**292 238**
of which subject to ECL*	286 056	289 854
of which FVPL (excluding fixed rate loans above)	2 277	2 384

^ 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)	(3 917)	(4 090)	(8 307)
Total operating income before expected credit losses	(6 221)	(8 214)	(15 939)
Less: Profit attributable to other non-controlling interests	(316)	530	1 258
Total (B)	(6 537)	(7 684)	(14 681)
Cost to income ratio (A/B)	**59.9%**	**53.2%**	**56.6%**

Coverage ratio — ECL as a percentage of gross core loans subject to ECL

Credit loss ratio — Annualised ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL

Gearing ratio — Total assets excluding assurance assets 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 11

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 11 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 11 for calculation

Ninety One and Ninety One group
All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

Structured credit
Reflects the gross exposure of rated and unrated structured credit classified within other debt securities on the balance sheet. Refer to page 43 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

Third party funds under management
Consists of third party funds managed by the Wealth & Investment business and by the Property business (which forms part of the Specialist Bank)