OUT OF THE ORDINARY

Investec

Built on strong foundations

Investec Limited (excluding results of Investec plc)

Unaudited condensed financial information
for the six months ended 30 September 2021

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 40.

All other definitions can be found on page 41.

Key financial statistics	30 Sept 2021	30 Sept 2020	% change	31 March 2021
Total operating income before expected credit losses (R'million)	8 528	6 221	37.1%	14 188
Operating costs (R'million)	4 349	3 917	11.0%	8 457
Operating profit before goodwill and acquired intangibles (R'million)	4 071	1 731	>100.0%	5 110
Headline earnings attributable to ordinary shareholders (R'million)	2 498	1 622	54.0%	4 206
Cost to income ratio	53.1%	59.9%		59.6%
Total capital resources (including subordinated liabilities) (R'million)	76 638	73 190	4.7%	75 073
Total equity (R'million)	62 958	59 001	6.7%	60 628
Total assets (R'million)	572 977	569 013	0.7%	549 740
Net core loans and advances (R'million)	297 193	284 392	4.5%	287 315
Customer accounts (deposits) (R'million)	398 936	365 003	9.3%	374 228
Loans and advances to customers as a % of customer accounts (deposits)	72.6%	76.1%		74.6%
Cash and near cash balances (R'million)	134 592	143 248	(6.0%)	129 759
Funds under management (R'million)	379 721	301 431	26.0%	340 618
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.1x	9.6x		9.0x
Total capital adequacy ratio	17.7%	15.5%		16.0%
Tier 1 ratio	14.8%	12.2%		12.8%
Common equity tier 1 ratio	13.9%	11.6%		12.2%
Leverage ratio – current	7.6%	7.0%		7.6%
Leverage ratio – 'fully loaded'	7.5%	6.9%		7.5%
Stage 3 as a % of gross core loans subject to ECL	2.2%	2.4%		2.6%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.8%	1.7%		2.1%
Credit loss ratio	0.04%**	0.35%**		0.18%
Net Stable Funding Ratio % (NSFR)	110.6%	113.9%		113.4%
Liquidity Coverage Ratio % (LCR)*	158.0%	164.1%		164.0%

* In 2020, part of the Prudential Authority's response to the expected negative impact of COVID-19 on liquidity in financial markets was to reduce the LCR requirement for banks from 100% to 80%. On 1 September 2021, the Prudential Authority communicated that the LCR requirement will increase to 90% on 1 January 2022 and back to 100% on 1 April 2022.

** Annualised.

CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020^	Year to 31 March 2021
Interest income	12 768	14 693	26 400
Interest expense	(8 167)	(10 971)	(18 362)
Net interest income	**4 601**	**3 722**	**8 038**
Fee and commission income	3 508	2 705	6 127
Fee and commission expense	(313)	(281)	(603)
Investment income/(loss)	48	(169)	284
Share of post-taxation profit/(loss) of associates and joint venture holdings	187	(89)	(145)
Trading income/(loss) arising from			
– customer flow	648	247	959
– balance sheet management and other trading income	(171)	(19)	(621)
Other operating income	20	105	149
Total operating income before expected credit loss impairment charges	**8 528**	**6 221**	**14 188**
Expected credit loss impairment charges	(108)	(573)	(621)
Operating income	**8 420**	**5 648**	**13 567**
Operating costs	(4 349)	(3 917)	(8 457)
Operating profit before goodwill and acquired intangibles	**4 071**	**1 731**	**5 110**
Impairment of goodwill	—	—	(7)
Amortisation of acquired intangibles	(26)	(26)	(51)
Impairment of associates and joint venture holdings	—	—	(348)
Profit before taxation	**4 045**	**1 705**	**4 704**
Taxation on operating profit before acquired intangibles	(1 029)	(337)	(1 050)
Taxation on acquired intangibles and financial impact on group structures	7	7	14
Profit after taxation	**3 023**	**1 375**	**3 668**
(Profit)/loss attributable to other non-controlling interests	(332)	316	2
Loss attributable to other non-controlling interests relating to impairments in associates	—	—	189
Earnings attributable to shareholders	**2 691**	**1 691**	**3 859**

^ Restated as detailed on page 23.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Profit after taxation	3 023	1 375	3 668
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(110)	(75)	11
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	94	1 388	2 051
Gain on realisation of debt instruments at FVOCI recycled to the income statement*	(12)	(6)	(33)
Foreign currency adjustments on translating foreign operations	126	(466)	(1 278)
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	167	442	885
Net gain/(loss) attributable to own credit risk*	3	(13)	(14)
Total comprehensive income	**3 291**	**2 645**	**5 290**
Total comprehensive income attributable to ordinary shareholders	2 747	2 751	5 065
Total comprehensive income/(loss) attributable to non-controlling interests	332	(340)	(191)
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	212	234	416
Total comprehensive income	**3 291**	**2 645**	**5 290**

* These amounts are net of taxation expense of R30.6 million [Six months to 30 Sept 2020: R622.1 million; Year to 31 March 2021: R1.1 billion].

HEADLINE EARNINGS

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Earnings attributable to shareholders	2 691	1 691	3 859
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(212)	(234)	(416)
Gain on redemption of perpetual preference shares	—	—	71
Earnings attributable to ordinary shareholders	**2 479**	**1 457**	**3 514**
Headline adjustments	**19**	**165**	**692**
Revaluation of investment properties*	18	147	305
Headline adjustments of equity accounted associates	1	18	196
Impairment of goodwill	—	—	7
Impairment of associates and joint venture holdings	—	—	348
Loss attributable to other non-controlling interests relating to impairments in associates	—	—	(189)
Other headline adjustments^	—	—	25
Headline earnings attributable to ordinary shareholders	**2 498**	**1 622**	**4 206**

* These amounts are net of taxation credit of R3.7 million (Six months to 30 Sept 2020: R17.7 million; year to 31 March 2021: R89.6million) and R86.9 million (Six months to 30 Sept 2020: R387.6 million; year to 31 March 2021: R775.7million) of non-controlling interests.

^ Other headline adjustments predominantly relates to write down of associate.

CONSOLIDATED BALANCE SHEET

At R'million	30 Sept 2021	31 March 2021	30 Sept 2020^
Assets			
Cash and balances at central banks	12 685	9 653	12 064
Loans and advances to banks	21 885	26 983	31 477
Non-sovereign and non-bank cash placements	9 656	8 956	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	47 353	30 756	41 874
Sovereign debt securities	55 810	53 009	72 519
Bank debt securities	28 209	21 862	11 318
Other debt securities	15 269	14 148	15 482
Derivative financial instruments	11 722	19 186	21 307
Securities arising from trading activities	12 740	15 202	5 778
Investment portfolio	15 522	15 131	16 423
Loans and advances to customers	289 633	279 131	277 756
Own originated loans and advances to customers securitised	7 560	8 184	6 636
Other loans and advances	126	181	217
Other securitised assets	646	578	270
Interests in associated undertakings and joint venture holdings	5 387	5 215	6 805
Current taxation assets	40	44	340
Deferred taxation assets	2 542	2 767	2 920
Other assets	13 595	16 324	14 555
Property and equipment	3 538	2 942	3 006
Investment properties	16 000	16 942	17 253
Goodwill	212	212	219
Software	70	95	128
Other acquired intangible assets	90	118	141
Non-current assets classified as held for sale	1 537	1 054	1 883
	571 827	**548 673**	**568 211**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 150	1 067	802
	572 977	**549 740**	**569 013**
Liabilities			
Deposits by banks	17 798	22 052	43 203
Derivative financial instruments	24 840	26 154	18 526
Other trading liabilities	3 716	5 643	10 277
Repurchase agreements and cash collateral on securities lent	21 083	17 598	32 792
Customer accounts (deposits)	398 936	374 228	365 003
Debt securities in issue	8 082	6 493	7 659
Liabilities arising on securitisation of own originated loans and advances	3 149	3 271	1 576
Current taxation liabilities	738	854	1 290
Deferred taxation liabilities	767	743	677
Other liabilities	16 080	16 564	14 018
	495 189	**473 600**	**495 021**
Liabilities to customers under investment contracts	1 096	1 014	744
Insurance liabilities, including unit-linked liabilities	54	53	58
	496 339	**474 667**	**495 823**
Subordinated liabilities	13 680	14 445	14 189
	510 019	**489 112**	**510 012**
Equity			
Ordinary share capital	1	1	1
Ordinary share premium	6 112	6 112	6 112
Treasury shares	(3 509)	(3 020)	(3 044)
Other reserves	2 852	2 543	2 203
Retained income	40 347	38 656	37 534
Ordinary shareholders' equity	**45 803**	**44 292**	**42 806**
Perpetual preference share capital and premium	3 039	3 039	3 184
Shareholders' equity excluding non-controlling interests	**48 842**	**47 331**	**45 990**
Other Additional Tier 1 securities in issue	2 510	1 733	1 010
Non-controlling interests	11 606	11 564	12 001
– Perpetual preferred securities issued by subsidiaries	1 481	1 481	1 534
– Non-controlling interests in partially held subsidiaries	10 125	10 083	10 467
Total equity	**62 958**	**60 628**	**59 001**
Total liabilities and equity	**572 977**	**549 740**	**569 013**

^ Restated as detailed on page 23.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'million	Ordinary share capital	Share premium	Treasury shares
At 1 April 2020	**1**	**6 112**	**(2 992)**
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	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
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 security holders	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 security holders	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 30 September 2020	**1**	**6 112**	**(3 044)**
Movement in reserves 1 October 2020 – 31 March 2021			
Profit after taxation	—	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
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	**—**	**—**	**—**
Net equity movements in interests in associated undertakings	—	—	—
Issue of other Additional Tier 1 security instruments	—	—	—
Movement of treasury shares	—	—	4
Share-based payments adjustments	—	—	—
Transfer from share-based payments reserve to treasury shares	—	—	20
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 security holders	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 security holders	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 31 March 2021	**1**	**6 112**	**(3 020)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

	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 share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 issue securities in issue	Non-controlling interests	**Total equity**
61	**(1 739)**	**690**	**(1 550)**	**26**	**3 415**	**35 878**	**39 902**	**3 184**	**43 086**	**1 010**	**12 579**	**56 675**
—	—	—	—	—	—	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)
—	442	—	—	—	—	—	442	—	442	—	—	442
—	—	—	—	—	(466)	—	(466)	—	(466)	—	(24)	(490)
—	—	—	—	(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**	**42 806**	**3 184**	**45 990**	**1 010**	**12 001**	**59 001**
—	—	—	—	—	—	2 168	2 168	—	2 168	—	125	2 293
—	—	—	86	—	—	—	86	—	86	—	—	86
—	663	—	—	—	—	—	663	—	663	—	—	663
—	(27)	—	—	—	—	—	(27)	—	(27)	—	—	(27)
—	443	—	—	—	—	—	443	—	443	—	—	443
—	—	—	—	—	(812)	—	(812)	—	(812)	—	24	(788)
—	—	—	—	(1)	—	—	(1)	—	(1)	—	—	(1)
—	**1 079**	**—**	**86**	**(1)**	**(812)**	**2 168**	**2 520**	**—**	**2 520**	**—**	**149**	**2 669**
—	—	—	—	—	—	(406)	(406)	—	(406)	—	—	(406)
—	—	—	—	—	—	—	—	—		723	—	723
—	—	—	—	—	—	—	4	—	4	—	—	4
—	—	—	—	—	—	205	205	—	205	—	—	205
—	—	—	—	—	—	(20)	—	—	—	—	—	—
—	—	(12)	—	—	—	12	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	(80)	(80)
—	—	—	—	—	—	71	71	(145)	(74)	—	(53)	(127)
—	—	—	—	—	—	(182)	(182)	398	216	45	47	308
—	—	—	—	—	—	—	—	(398)	(398)	(45)	(47)	(490)
—	—	—	—	—	—	(726)	(726)	—	(726)	—	—	(726)
—	—	—	—	—	—	—	—	—	—	—	(453)	(453)
61	**1 164**	**708**	**(1 539)**	**12**	**2 137**	**38 656**	**44 292**	**3 039**	**47 331**	**1 733**	**11 564**	**60 628**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

R'million	Ordinary share capital	Share premium	Treasury shares
At 1 April 2021	**1**	**6 112**	**(3 020)**
Movement in reserves 1 April 2021 – 30 September 2021			
Profit after taxation	—	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Gain on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
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	**—**	**—**	**—**
Issue of other Additional Tier 1 security instruments	—	—	—
Net equity movements in interests in associated undertakings	—	—	—
Movement of treasury shares	—	—	(489)
Share-based payments adjustments	—	—	—
Transfer from regulatory general risk reserves	—	—	—
Dividends declared to other equity holders including other Additional Tier 1 security holders	—	—	—
Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 security holders	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends paid to non-controlling interests	—	—	—
At 30 September 2021	**1**	**6 112**	**(3 509)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

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 share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 issue securities in issue	Non-controlling interests	**Total equity**
61	**1 164**	**708**	**(1 539)**	**12**	**2 137**	**38 656**	**44 292**	**3 039**	**47 331**	**1 733**	**11 564**	**60 628**
—	—	—	—	—	—	2 691	2 691	—	2 691	—	332	3 023
—	—	—	(110)	—	—	—	(110)	—	(110)	—	—	(110)
—	94	—	—	—	—	—	94	—	94	—	—	94
—	(12)	—	—	—	—	—	(12)	—	(12)	—	—	(12)
—	167	—	—	—	—	—	167	—	167	—	—	167
—	—	—	—	—	126	—	126	—	126	—	—	126
—	—	—	—	3	—	—	3	—	3	—	—	3
—	**249**	**—**	**(110)**	**3**	**126**	**2 691**	**2 959**	**—**	**2 959**	**—**	**332**	**3 291**
—	—	—	—	—	—	—	—	—	—	777	—	777
—	—	—	—	—	—	21	21	—	21	—	—	21
—	—	—	—	—	—	—	(489)	—	(489)	—	—	(489)
—	—	—	—	—	—	213	213	—	213	—	—	213
—	—	41	—	—	—	(41)	—	—	—	—	—	—
—	—	—	—	—	—	(212)	(212)	84	(128)	85	43	—
—	—	—	—	—	—	—	—	(84)	(84)	(85)	(43)	(212)
—	—	—	—	—	—	(981)	(981)	—	(981)	—	—	(981)
—	—	—	—	—	—	—	—	—	—	—	(290)	(290)
61	**1 413**	**749**	**(1 649)**	**15**	**2 263**	**40 347**	**45 803**	**3 039**	**48 842**	**2 510**	**11 606**	**62 958**

CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

For the six months to 30 September 2021 R'million	Private Client	Specialist Banking				
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	Total group
Net interest income/(expense)	24	2 740	2 243	(406)	—	4 601
Net fee and commission income	946	576	1 164	509	—	3 195
Investment income/(loss)	12	135	(256)	157	—	48
Share of post–taxation (loss)/profit of associates and joint venture holdings	—	(3)	(6)	196	—	187
Trading income/(loss) arising from						
– customer flow	—	1	468	179	—	648
– balance sheet management and other trading activities	2	1	(47)	(127)	—	(171)
Other operating income	—	—	20	—	—	20
Total operating income before expected credit loss impairment charges	**984**	**3 450**	**3 586**	**508**	**—**	**8 528**
Expected credit loss impairment charges	—	142	(223)	(27)	—	(108)
Operating income	**984**	**3 592**	**3 363**	**481**	**—**	**8 420**
Operating costs	(674)	(1 577)	(1 925)	(19)	(154)	(4 349)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**310**	**2 015**	**1 438**	**462**	**(154)**	**4 071**
Loss/(profit) attributable to non-controlling interests	—	—	6	(338)	—	(332)
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**310**	**2 015**	**1 444**	**124**	**(154)**	**3 739**
Cost to income ratio	68.5%	45.7%	53.6%	n/a	n/a	53.1%
Total assets (R'million)	7 660	222 717	309 069	33 531	n/a	572 977

For the six months to 30 September 2020 R'million	Private Client	Specialist Banking^				
	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	Total group
Net interest (expense)/income	(9)	2 152	2 091	(512)	—	3 722
Net fee and commission income	799	411	704	510	—	2 424
Investment income/(loss)	11	(10)	(80)	(90)	—	(169)
Share of post-taxation (loss)/profit of associates and joint venture holdings	—	(2)	—	(87)	—	(89)
Trading (loss)/income arising from						
– customer flow	—	2	326	(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**	**2 553**	**3 233**	**(368)**	**—**	**6 221**
Expected credit loss impairment charges	—	(174)	(358)	(41)	—	(573)
Operating income	**803**	**2 379**	**2 875**	**(409)**	**—**	**5 648**
Operating costs	(539)	(1 399)	(1 809)	(13)	(157)	(3 917)
Operating profit before goodwill, acquired intangibles and non-controlling interests	**264**	**980**	**1 066**	**(422)**	**(157)**	**1 731**
Loss attributable to non-controlling interests	—	—	—	316	—	316
Profit before goodwill, acquired intangibles, taxation after non-controlling interests	**264**	**980**	**1 066**	**(106)**	**(157)**	**2 047**
Cost to income ratio	67.1%	54.8%	56.0%	n/a	n/a	59.9%
Total assets (R'million)	7 334	14 426	508 175	39 078	—	569 013

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

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES

Net interest income

For the six months to 30 September R'million		2021 Average balance sheet value	2021 Interest income	2021 Average yield	2020^ Average balance sheet value	2020^ Interest income	2020^ Average yield
Cash, near cash and bank debt and sovereign debt securities	1	166 804	2 337	2.80%	174 961	3 209	3.67%
Net core loans and advances	2	290 805	9 772	6.72%	286 602	10 777	7.52%
Private client		216 658	6 980	6.44%	195 466	7 514	7.69%
Corporate, Investment Banking and Other		74 147	2 792	7.53%	91 136	3 263	7.16%
Other debt securities and other loans and advances		15 702	320	4.08%	16 875	540	6.40%
Other	3	546	339	n/a	322	167	n/a
		473 857	**12 768**		**478 760**	**14 693**	

For the six months to 30 September R'million		2021 Average balance sheet value	2021 Interest expense	2021 Average yield	2020 Average balance sheet value	2020 Interest expense	2020 Average yield
Deposits by banks and other debt-related securities	4	45 071	(604)	2.68%	83 440	(1 349)	3.23%
Customer accounts (deposits)		391 104	(6 842)	3.50%	367 734	(8 902)	4.84%
Subordinated liabilities	5	14 303	(463)	6.47%	14 348	(503)	7.01%
Other		3 324	(258)	n/a	1 861	(217)	n/a
		453 802	**(8 167)**		**467 383**	**(10 971)**	
Net interest income			**4 601**			**3 722**	
Net interest margin*			**1.94%**			**1.55%**	

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks and 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% (2020: 24.3%) interest. Excluding the debt funding cost, the net interest margin amounted to 2.06% (2020: 1.69%)

^ Restated as detailed on page 23.

ADDITIONAL INCOME STATEMENT NOTE DISCLOSURES
CONTINUED

Net fee and commission income

For the six months to 30 September R'million	2021	2020^
Wealth & Investment net fee and commission income	**946**	**799**
Fund management fees/fees for funds under management	545	452
Private client transactional fees	418	361
Fee and commission expense	(17)	(14)
Specialist Banking net fee and commission income	**1 740**	**1 115**
Specialist Banking fee and commission income	1 998	1 342
Specialist Banking fee and commission expense	(258)	(227)
Group Investments net fee and commission income	**509**	**510**
Group Investments fee and commission income	547	550
Group Investments fee and commission expense	(38)	(40)
Net fee and commission income	**3 195**	**2 424**
Annuity fees (net of fees payable)	2 454	2 072
Deal fees	741	352

^ Restated as detailed on page 23.

Trust and fiduciary fees amounted to R3.8 million (2020: R2.0 million) and is included in private client transactional fees in the group.

Included in Specialist Banking fee and commission income is fee income of R801.3 million (2020: R708.5 million) for operating lease income which is out of scope of IFRS 15 Revenue from Contracts with Customers.

Investment income/(loss)

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
2021									
Realised	7	16	304	91	418	17	13	—	448
Unrealised^	22	(479)	(18)	—	(475)	6	(202)	14	(657)
Dividend income	103	99	—	—	202	—	—	7	209
Funding and other net related (costs)/income	—	(11)	—	—	(11)	—	59	—	48
	132	**(375)**	**286**	**91**	**134**	**23**	**(130)**	**21**	**48**
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)**

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

ADDITIONAL IAS 34 DISCLOSURES

Analysis of financial assets and liabilities by measurement category

At 30 September 2021 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	—	12 685	—	12 685
Loans and advances to banks	—	21 885	—	21 885
Non-sovereign and non-bank cash placements	238	9 418	—	9 656
Reverse repurchase agreements and cash collateral on securities borrowed	5 479	41 874	—	47 353
Sovereign debt securities	43 969	11 841	—	55 810
Bank debt securities	16 276	11 933	—	28 209
Other debt securities	11 253	4 016	—	15 269
Derivative financial instruments	11 722	—	—	11 722
Securities arising from trading activities	12 740	—	—	12 740
Investment portfolio	15 522	—	—	15 522
Loans and advances to customers	22 134	267 499	—	289 633
Own originated loans and advances to customers securitised	—	7 560	—	7 560
Other loans and advances	—	126	—	126
Other securitised assets	—	646	—	646
Interests in associated undertakings	—	—	5 387	5 387
Current taxation assets	—	—	40	40
Deferred taxation assets	—	—	2 542	2 542
Other assets	4 904	5 486	3 205	13 595
Property and equipment	—	—	3 538	3 538
Investment properties	—	—	16 000	16 000
Goodwill	—	—	212	212
Software	—	—	70	70
Other intangible assets	—	—	90	90
Non-current assets classified as held for sale	474	—	1 063	1 537
	144 711	**394 969**	**32 147**	**571 827**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 150	—	—	1 150
	145 861	**394 969**	**32 147**	**572 977**
Liabilities				
Deposits by banks	—	17 798	—	17 798
Derivative financial instruments	24 840	—	—	24 840
Other trading liabilities	3 716	—	—	3 716
Repurchase agreements and cash collateral on securities lent	1 019	20 064	—	21 083
Customer accounts (deposits)	27 564	371 372	—	398 936
Debt securities in issue	—	8 082	—	8 082
Liabilities arising on securitisation of own originated loans and advances	—	3 149	—	3 149
Current taxation liabilities	—	—	738	738
Deferred taxation liabilities	—	—	767	767
Other liabilities	2 013	9 002	5 065	16 080
	59 152	**429 467**	**6 570**	**495 189**
Liabilities to customers under investment contracts	1 096	—	—	1 096
Insurance liabilities, including unit-linked liabilities	54	—	—	54
	60 302	**429 467**	**6 570**	**496 339**
Subordinated liabilities	—	13 680	—	13 680
	60 302	**443 147**	**6 570**	**510 019**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

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

The different levels are identified as follows:

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

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

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

		Fair value category		
At 30 September 2021 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	238	—	238	—
Reverse repurchase agreements and cash collateral on securities borrowed	5 479	—	5 479	—
Sovereign debt securities	43 969	43 969	—	—
Bank debt securities	16 276	5 849	10 427	—
Other debt securities	11 253	1 547	9 706	—
Derivative financial instruments	11 722	99	11 623	—
Securities arising from trading activities	12 740	12 652	88	—
Investment portfolio	15 522	4 556	28	10 938
Loans and advances to customers	22 134	—	21 432	702
Other assets	4 904	4 904	—	—
Non-current assets classified as held for sale	474	—	—	474
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	1 150	1 150	—	—
	145 861	**74 726**	**59 021**	**12 114**
Liabilities				
Derivative financial instruments	24 840	701	24 139	—
Other trading liabilities	3 716	1 015	2 701	—
Repurchase agreements and cash collateral on securities lent	1 019	—	1 019	—
Customer accounts (deposits)	27 564	—	27 564	—
Other liabilities	2 013	—	1 073	940
Liabilities to customers under investment contracts	1 096	—	1 096	—
Insurance liabilities, including unit-linked liabilities	54	—	54	—
	60 302	**1 716**	**57 646**	**940**
Net financial assets at fair value	**85 559**	**73 010**	**1 375**	**11 174**

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

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2021	10 599	35	832	11 466
Net (losses)/gains included in the income statement	(169)	—	17	(152)
Purchases	683	—	—	683
Sales	(3)	—	(373)	(376)
Settlements	(209)	(13)	—	(222)
Transfers into level 3	—	680	—	680
Foreign exchange adjustments	37	—	(2)	35
Balance at 30 September 2021	**10 938**	**702**	**474**	**12 114**

R'million	Other liabilities	Total
Balance at 1 April 2021	928	928
Total losses included in the income statement	42	42
Repayment	(23)	(23)
Settlements	(11)	(11)
Foreign exchange adjustments	4	4
Balance at 30 September 2021	**940**	**940**

For the period ended 30 September 2021, R679.7 million of loans and advances to customers has been transferred from level 2 to level 3, due to inputs related to the measurement of credit risk, to valuation model becoming unobservable in the market.

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

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

For the six months to 30 September 2021 R'million	Total	Realised	Unrealised
Total gains/(losses) included in the income statement for the year			
Investment (loss)/income	(194)	123	(317)
	(194)	**123**	**(317)**

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

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

					Potential impact on the income statement	
At 30 September 2021	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range of unobservable input used	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Investment portfolio	10 938				**1 337**	**(1 333)**
		Price earnings	EBITDA	*	390	(389)
		Discounted cash flow	Discount rate	13%-17%	11	(5)
		Discounted cash flow	Cash flows	**	38	(28)
		Net asset value	Underlying asset value	^	60	(69)
		Discounted cash flow	Precious and industrial metal prices	(5%)-5%	27	(27)
		Discounted cash flow	Property values	#	798	(798)
		Other	Various	**	13	(17)
Loans and advances to customers	702				**107**	**(169)**
		Underlying asset value	Property values	^	105	(167)
		Net asset value	Underlying asset value	^	2	(2)
Non-current assets held for sale	474				**13**	**(16)**
		Discounted cash flow	Discount rate	13%-15%	13	(16)
Total level 3 assets	**12 114**				**1 457**	**(1 518)**
Liabilities						
Other liabilities	940	Discounted cash flow	Property values	#	111	(111)
Total level 3 liabilities	**940**				**111**	**(111)**
Net level 3 assets	**11 174**				**1 568**	**(1 629)**

* The EBITDA, cash flows and property values have been stressed on an investment-by-investment and loan-by-loan 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.
# Property values are the underlying input for the valuations where the capitalisation rate when valuing these properties has been stressed by 0.25bps.

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.

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

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
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

ADDITIONAL IAS 34 DISCLOSURES
CONTINUED

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 2021 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts
Assets				
Cash and balances at central banks	12 685	12 685	—	—
Loans and advances to banks	21 885	21 885	—	—
Non-sovereign and non-bank cash placements	9 418	9 418	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	41 874	6 126	35 748	35 749
Sovereign debt securities	11 841	—	11 841	11 953
Bank debt securities	11 933	1 111	10 822	11 080
Other debt securities	4 016	3 256	760	805
Loans and advances to customers	267 499	251 588	15 911	15 965
Own originated loans and advances to customers securitised	7 560	7 560	—	—
Other loans and advances	126	126	—	—
Other securitised assets	646	646	—	—
Other assets	5 486	5 486	—	—
	394 969	**319 887**	**75 082**	**75 552**
Liabilities				
Deposits by banks	17 798	3 625	14 173	14 563
Repurchase agreements and cash collateral on securities lent	20 064	4 959	15 105	15 111
Customer accounts (deposits)	371 372	133 485	237 887	238 596
Debt securities in issue	8 082	5 892	2 190	2 203
Liabilities arising on securitisation of own originated loans and advances	3 149	3 149	—	—
Other liabilities	9 002	9 002	—	—
Subordinated liabilities	13 680	1 585	12 095	14 255
	443 147	**161 697**	**281 450**	**284 728**

ADDITIONAL NOTES – INTERIMS

Expected credit loss impairment charges

For the six months to 30 September R'million	**2021**	2020
Expected credit loss impairment charges/(releases) is recognised on the following assets:		
Loans and advances to customers	64	497
Own originated securitised assets	—	8
Core loans and advances	**64**	**505**
Other balance sheet assets	40	56
Off-balance sheet commitments and guarantees	4	12
Total expected credit loss impairment charges	**108**	**573**

Extract of operating costs

For the six months to 30 September R'million	**2021**	2020
Staff costs	3 272	2 907
Premises expenses	147	123
Premises expenses (excluding depreciation)	74	60
Premises depreciation	73	63*
Equipment expenses (excluding depreciation)	291	245
Business expenses	391	380
Marketing expenses	162	170
Depreciation, amortisation and impairment on property, equipment and intangibles	86	92*
	4 349	**3 917**

* Premises depreciation of R42 million was reclassified from depreciation, amortisation and impairment on property, equipment, software and intangibles to premises depreciation.

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 2021**	31 March 2021
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	47 354	30 757
Expected credit loss on amortised cost	(1)	(1)
Net reverse repurchase agreements and cash collateral on securities borrowed	**47 353**	**30 756**
Reverse repurchase agreements	39 597	27 222
Cash collateral on securities borrowed	7 756	3 534
	47 353	**30 756**
Liabilities		
Repurchase agreements	16 124	16 593
Cash collateral on securities lent	4 959	1 005
	21 083	**17 598**

Extract of other debt securities

At R'million	**30 Sept 2021**	31 March 2021
Gross other debt securities	15 276	14 156
Expected credit loss on amortised cost	(7)	(8)
Net other debt securities	**15 269**	**14 148**
Bonds	10 860	8 283
Floating rate notes	3 203	3 360
Asset-based securities	1 206	2 505
	15 269	**14 148**

ADDITIONAL NOTES – INTERIMS
CONTINUED

Extract of securities arising from trading activities

At R'million	30 Sept 2021	31 March 2021
Bonds	1 270	336
Listed equities	10 522	13 881
Floating rate notes	918	970
Other investments	30	15
	12 740	**15 202**

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

At R'million	30 Sept 2021	31 March 2021
Gross loans and advances to customers at amortised cost	270 228	257 866
Gross loans and advances to customers designated at FVPL at inception^	20 656	22 393
Gross loans and advances to customers subject to ECL	**290 884**	**280 259**
Expected credit loss on amortised cost	(2 823)	(2 704)
	288 061	**277 555**
Loans and advances to customers at fair value	1 572	1 576
Net loans and advances to customers	**289 633**	**279 131**
Gross other loans and advances	151	206
Expected credit loss of other loans and advances	(25)	(25)
Net other loans and advances	**126**	**181**

^ 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 2021	31 March 2021
Gross own originated loans and advances to customers securitised	7 585	8 209
Expected credit loss of own originated loans and advances to customers securitised	(25)	(25)
Net own originated loans and advances to customers securitised	**7 560**	**8 184**
Total other securitised assets	**646**	**578**

Other assets

At R'million	30 Sept 2021	31 March 2021
Gross other assets	13 595	16 324
Expected credit loss on amortised cost	—	—
Net other assets	**13 595**	**16 324**
Settlement debtors	3 921	6 439
Trading properties	1 138	1 101
Prepayments and accruals	661	736
Trading initial margin	3 893	3 065
Other investments	1 011	741
Commodities	818	581
Building renovations	—	588
Fee debtors	231	56
Other	1 922	3 017
	13 595	**16 324**

ADDITIONAL NOTES – INTERIMS
CONTINUED

Debt securities in issue

At R'million	30 Sept 2021	31 March 2021
Repayable in:		
Less than three months	1 169	229
Three months to one year	1 848	1 381
One to five years	4 987	4 806
Greater than five years	78	77
	8 082	**6 493**

Extract of other liabilities

At R'million	30 Sept 2021	31 March 2021
Settlement liabilities	8 403	8 453
Other creditors and accruals	5 445	6 301
Other non-interest bearing liabilities	1 095	651
Dividends Rewards Programme liability	691	674
Lease liability	157	183
Long service employee benefits liability	211	228
Expected credit loss on off-balance sheet commitments and guarantees	78	74
	16 080	**16 564**

Extract of perpetual preference share capital

At R'million	30 Sept 2021	31 March 2021
Perpetual preference share capital	*	*
Perpetual preference share premium	3 039	3 039
	3 039	**3 039**

* Less than R1 million.

Extract of deferred taxation

At R'million	30 Sept 2021	31 March 2021
Losses carried forward	277	427
	277	**427**

Extract of subordinated liabilities

At R'million	30 Sept 2021	31 March 2021
Remaining maturity:		
In one year or less, or on demand	8 837	5 486
In more than one year, but not more than two years	3 207	6 747
In more than two years, but not more than five years	1 636	2 212
	13 680	**14 445**

ADDITIONAL NOTES – INTERIMS
CONTINUED

Offsetting

At 30 September 2021 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	12 685	—	12 685	—	12 685
Loans and advances to banks	31 563	(9 678)	21 885	(302)	21 583
Non-sovereign and non-bank cash placements	9 656	—	9 656	—	9 656
Reverse repurchase agreements and cash collateral on securities borrowed	48 339	(986)	47 353	(1 004)	46 349
Sovereign debt securities	55 810	—	55 810	(12 035)	43 775
Bank debt securities	28 209	—	28 209	(1 721)	26 488
Other debt securities	15 269	—	15 269	(1 422)	13 847
Derivative financial instruments	17 008	(5 286)	11 722	(5 179)	6 543
Securities arising from trading activities	20 603	(7 863)	12 740	(146)	12 594
Investment portfolio	15 522	—	15 522	—	15 522
Loans and advances to customers	292 555	(2 922)	289 633	—	289 633
Own originated loans and advances to customers securitised	7 560	—	7 560	—	7 560
Other loans and advances	126	—	126	—	126
Other securitised assets	646	—	646	—	646
Other assets	13 595	—	13 595	—	13 595
	569 146	**(26 735)**	**542 411**	**(21 809)**	**520 602**
Liabilities					
Deposits by banks	20 082	(2 284)	17 798	—	17 798
Derivative financial instruments	37 520	(12 680)	24 840	(5 179)	19 661
Other trading liabilities	3 716	—	3 716	—	3 716
Repurchase agreements and cash collateral on securities lent	22 069	(986)	21 083	(16 254)	4 829
Customer accounts (deposits)	401 858	(2 922)	398 936	—	398 936
Debt securities in issue	8 082	—	8 082	—	8 082
Liabilities arising on securitisation of own originated loans and advances	3 149	—	3 149	—	3 149
Other liabilities	23 943	(7 863)	16 080	—	16 080
Subordinated liabilities	13 680	—	13 680	—	13 680
	534 099	**(26 735)**	**507 364**	**(21 433)**	**485 931**

ADDITIONAL NOTES – INTERIMS
CONTINUED

At 31 March 2021 **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	9 653	—	9 653	—	9 653
Loans and advances to banks	38 240	(11 257)	26 983	(295)	26 688
Non-sovereign and non-bank cash placements	8 956	—	8 956	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	31 741	(985)	30 756	(3 293)	27 463
Sovereign debt securities	53 009	—	53 009	(9 340)	43 669
Bank debt securities	21 862	—	21 862	(1 498)	20 364
Other debt securities	14 148	—	14 148	(2 828)	11 320
Derivative financial instruments	23 775	(4 589)	19 186	(10 165)	9 021
Securities arising from trading activities	24 919	(9 717)	15 202	(1 102)	14 100
Investment portfolio	15 131	—	15 131	—	15 131
Loans and advances to customers	282 163	(3 032)	279 131	—	279 131
Own originated loans and advances to customers securitised	8 184	—	8 184	—	8 184
Other loans and advances	181	—	181	—	181
Other securitised assets	578	—	578	—	578
Other assets	16 324	—	16 324	—	16 324
	548 864	**(29 580)**	**519 284**	**(28 521)**	**490 763**
Liabilities					
Deposits by banks	23 657	(1 605)	22 052	—	22 052
Derivative financial instruments	40 395	(14 241)	26 154	(10 165)	15 989
Other trading liabilities	5 643	—	5 643	—	5 643
Repurchase agreements and cash collateral on securities lent	18 583	(985)	17 598	(16 632)	966
Customer accounts (deposits)	377 260	(3 032)	374 228	—	374 228
Debt securities in issue	6 493	—	6 493	—	6 493
Liabilities arising on securitisation of own originated loans and advances	3 271	—	3 271	—	3 271
Other liabilities	26 281	(9 717)	16 564	—	16 564
Subordinated liabilities	14 445	—	14 445	—	14 445
	516 028	**(29 580)**	**486 448**	**(26 797)**	**459 651**

RESTATEMENTS

Income statement restatements

Interest income and fee and commission income restatement

For the six months to 30 September 2020, management identified that revenue relating to services rendered to customers (for the facilitation of import and export transactions) was previously reported within interest income rather than within fee and commission income.

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

The impact of this change on the 30 September 2020 income statement is:

R'million	Six months to 30 September 2020 as previously reported	Reclassification	Six months to 30 September 2020 restated
Interest income	14 804	(111)	14 693
Fee and commission income	2 594	111	2 705

Balance sheet restatements

Current taxation assets and other assets

As at 31 March 2021, current taxation assets, which were previously reported within other assets, were reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. As at 30 September 2020, current taxation assets of R340 million have been re-presented to reflect the same basis.

ASSET QUALITY

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 2021.

An analysis of gross core loans, asset quality and ECL

The table below summarises the asset quality of our gross core loans.

Asset quality metrics reflect the solid performance of core loans for the period ended 30 September 2021. The annualised credit loss ratio improved to 0.04% at 30 September from 0.18% reported at 31 March 2021 due to the reversal of certain prior year specific provisions and higher post write-off recoveries.

Gross core loans increased by 3.5% to R300.0 billion since 31 March 2021 due to the high net worth portfolio, with increased activity in both specialised lending and residential mortgages, and the corporate lending portfolio. Stage 2 exposures increased to 5.5% of gross core loans subject to ECL at 30 September 2021 (31 March 2021: 5.2%). Stage 3 has reduced to 2.2% of gross core loans subject to ECL at 30 September 2021 (31 March 2021: 2.6%) and is attributable to a large single name exposure migrating to Stage 2 offset by new smaller Stage 3 exposures.

Overall coverage for Stage 1 and Stage 2 remains flat at 0.5% at 30 September 2021. Stage 3 coverage has increased to 20.6% (31 March 2021: 17.9%).

R'million	30 Sept 2021	31 March 2021
Gross core loans	**300 041**	290 044
of which subject to ECL*	298 469	288 468
of which FVPL (excluding fixed rate loans above)	1 572	1 576
Gross core loans subject to ECL	**298 469**	288 468
Stage 1	275 404	266 061
Stage 2	16 537	14 969
of which past due greater than 30 days	284	272
Stage 3	6 528	7 438
ECL	**(2 848)**	(2 729)
Stage 1	(982)	(985)
Stage 2	(518)	(416)
Stage 3	(1 348)	(1 328)
Coverage ratio		
Stage 1	0.36%	0.37%
Stage 2	3.1%	2.8%
Stage 3	20.6%	17.9%
Annualised credit loss ratio	**0.04%**	0.18%
ECL impairment charges on core loans	(65)	(520)
Average gross core loans subject to ECL	293 469	289 161
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	5 180	6 110
Aggregate collateral and other credit enhancements on Stage 3	6 079	8 253
Stage 3 as a % of gross core loans subject to ECL	2.2%	2.6%
Total ECL as a % of Stage 3 exposure	43.6%	36.7%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.8%	2.1%

* Includes portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis. These are fixed rate loans which have passed the Solely Payments of Principal and Interest (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 (R21 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: R22 billion). The ECL on the portfolio is R94 million (31 March 2021: R105 million).

ASSET QUALITY
CONTINUED

An analysis of staging and ECL movements for core loans subject to ECL
The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2021 to 30 September 2021.

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
31 March 2021	**266 061**	**(985)**	**14 969**	**(416)**	**7 438**	**(1 328)**	**288 468**	**(2 729)**
Transfer from Stage 1	(4 290)	57	4 080	(55)	210	(2)	—	—
Transfer from Stage 2	2 361	(48)	(3 882)	109	1 521	(61)	—	—
Transfer from Stage 3	154	(24)	1 834	(12)	(1 988)	36	—	—
ECL remeasurement arising from transfer of stage	—	16	—	(122)	—	(206)	—	(312)
New lending net of repayments (includes assets written off)	10 880	(26)	(476)	16	(659)	223	9 745	213
Changes to risk parameters and models	—	31	—	(38)	—	(9)	—	(16)
Foreign exchange and other	238	(3)	12	—	6	(1)	256	(4)
30 September 2021	**275 404**	**(982)**	**16 537**	**(518)**	**6 528**	**(1 348)**	**298 469**	**(2 848)**

	Stage 1		Stage 2		Stage 3		Total	
R'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
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
30 September 2020	**260 766**	**(1 183)**	**18 308**	**(435)**	**6 982**	**(2 323)**	**286 056**	**(3 941)**

ASSET QUALITY
CONTINUED

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

R'million	Gross core loans at amortised cost and FVPL (subject to ECL) – Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL (not subject to ECL)	Gross core loans
At 30 September 2021										
Commercial real estate	**45 632**	**(282)**	**4 751**	**(74)**	**1 388**	**(312)**	**51 771**	**(668)**	**—**	**51 771**
Commercial real estate – investment	41 330	(249)	4 690	(72)	1 374	(306)	47 394	(627)	—	47 394
Commercial real estate – development	3 539	(28)	50	(1)	—	—	3 589	(29)	—	3 589
Commercial vacant land and planning	763	(5)	11	(1)	14	(6)	788	(12)	—	788
Residential real estate	**7 083**	**(31)**	**874**	**(7)**	**99**	**(18)**	**8 056**	**(56)**	**—**	**8 056**
Residential real estate – investment	3 294	(12)	586	(1)	96	(17)	3 976	(30)	—	3 976
Residential real estate – development	2 866	(15)	52	(5)	—	—	2 918	(20)	—	2 918
Residential vacant land and planning	923	(4)	236	(1)	3	(1)	1 162	(6)	—	1 162
Total lending collateralised by property	**52 715**	**(313)**	**5 625**	**(81)**	**1 487**	**(330)**	**59 827**	**(724)**	**—**	**59 827**
Coverage ratio		**0.59%**		**1.4%**		**22.2%**		**1.2%**		
At 31 March 2021										
Commercial real estate	**46 387**	**(227)**	**2 816**	**(78)**	**2 197**	**(262)**	**51 400**	**(567)**	**—**	**51 400**
Commercial real estate – investment	42 281	(202)	2 704	(77)	2 182	(256)	47 167	(535)	—	47 167
Commercial real estate – development	3 404	(22)	49	(1)	—	—	3 453	(23)	—	3 453
Commercial vacant land and planning	702	(3)	63	—	15	(6)	780	(9)	—	780
Residential real estate	**7 706**	**(29)**	**229**	**(6)**	**105**	**(22)**	**8 040**	**(57)**	**—**	**8 040**
Residential real estate – investment	3 792	(11)	—	—	96	(19)	3 888	(30)	—	3 888
Residential real estate – development	3 189	(15)	226	(6)	—	—	3 415	(21)	—	3 415
Residential vacant land and planning	725	(3)	3	—	9	(3)	737	(6)	—	737
Total lending collateralised by property	**54 093**	**(256)**	**3 045**	**(84)**	**2 302**	**(284)**	**59 440**	**(624)**	**—**	**59 440**
Coverage ratio		**0.47%**		**2.8%**		**12.3%**		**1.0%**		

ASSET QUALITY
CONTINUED

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

R'million	Gross core loans at amortised cost and FVPL (subject to ECL) – Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL (not subject to ECL)	Gross core loans
At 30 September 2021										
Mortgages	78 857	(117)	4 242	(176)	1 192	(257)	84 291	(550)	—	84 291
High net worth and specialised lending	69 280	(234)	782	(24)	1 500	(178)	71 562	(436)	—	71 562*
Total high net worth and other private client lending	**148 137**	**(351)**	**5 024**	**(200)**	**2 692**	**(435)**	**155 853**	**(986)**	**—**	**155 853**
Coverage ratio		**0.24%**		**4.0%**		**16.2%**		**0.6%**		
At 31 March 2021										
Mortgages	76 604	(133)	3 632	(134)	1 391	(318)	81 627	(585)	—	81 627
High net worth and specialised lending	65 295	(261)	1 063	(20)	1 471	(324)	67 829	(605)	—	67 829*
Total high net worth and other private client lending	**141 899**	**(394)**	**4 695**	**(154)**	**2 862**	**(642)**	**149 456**	**(1 190)**	**—**	**149 456**
Coverage ratio		**0.28%**		**3.3%**		**22.4%**		**0.8%**		

* 57% of HNW and specialised lending (31 March 2021: 56%) relates to lending collateralised by property which is supported by high net worth clients.

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) – Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans at FVPL (not subject to ECL)	Gross core loans
At 30 September 2021										
Corporate and acquisition finance	51 735	(232)	4 838	(214)	1 881	(482)	58 454	(928)	1 572	60 026
Fund finance	8 013	(13)	—	—	—	—	8 013	(13)	—	8 013
Financial institutions and governments	3 172	(4)	144	(1)	2	(2)	3 318	(7)	—	3 318
Asset finance	6 047	(56)	455	(19)	466	(99)	6 968	(174)	—	6 968
Small ticket asset finance	4 113	(31)	300	(11)	433	(85)	4 846	(127)	—	4 846
Large ticket asset finance	1 934	(25)	155	(8)	33	(14)	2 122	(47)	—	2 122
Power and infrastructure finance	5 585	(13)	451	(3)	—	—	6 036	(16)	—	6 036
Total corporate and other lending	**74 552**	**(318)**	**5 888**	**(237)**	**2 349**	**(583)**	**82 789**	**(1 138)**	**1 572**	**84 361**
Coverage ratio		**0.43%**		**4.0%**		**24.8%**		**1.4%**		
At 31 March 2021										
Corporate and acquisition finance	46 429	(217)	6 425	(160)	1 717	(339)	54 571	(716)	1 576	56 147
Fund finance	7 624	(29)	—	—	—	—	7 624	(29)	—	7 624
Financial institutions and governments	3 355	(4)	156	(4)	3	—	3 514	(8)	—	3 514
Asset finance	6 396	(71)	219	(11)	554	(63)	7 169	(145)	—	7 169
Small ticket asset finance	4 127	(48)	219	(11)	506	(40)	4 852	(99)	—	4 852
Large ticket asset finance	2 269	(23)	—	—	48	(23)	2 317	(46)	—	2 317
Power and infrastructure finance	6 265	(14)	429	(3)	—	—	6 694	(17)	—	6 694
Total corporate and other lending	**70 069**	**(335)**	**7 229**	**(178)**	**2 274**	**(402)**	**79 572**	**(915)**	**1 576**	**81 148**
Coverage ratio		**0.48 %**		**2.5%**		**17.7%**		**1.1%**		

ASSET QUALITY
CONTINUED

COVID-19 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 Prudential Authority (PA) was announced. This COVID-19 loan guarantee terminated on 11 July 2021. Investec actively participated in the programme and approved a total amount of R691 million as at 30 September 2021.

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 continue to ease, we have seen an overall slowdown in new relief requests as well as improved performance reducing net amount of active relief. COVID-19 relief measures currently in place have reduced from a cumulative relief of 23.0% of gross core loans since the onset of COVID-19 to 0.7% at 30 September 2021. Effective 1 January 2022, D3/2020 will be withdrawn by the PA which means that any COVID-19 relief after this date will be treated as distressed restructures, when required, according to the regulations.

COVID-19 vulnerable sectors

	30 September 2021					31 March 2021				
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*	2 362	349	491	48	3 250	2 592	487	537	20	3 636
Hotel	2 184	20	107		2 311	2 170	97	103		2 370
Gaming and leisure	25	2 449	—		2 474	25	2 977	—		3 002
Total	**4 571**	**2 818**	**598**	**48**	**8 035**	**4 787**	**3 561**	**640**	**20**	**9 008**
Coverage ratio	**0.79%**	**1.9%**	**10.3%**	**—**	**1.9%**	**0.86%**	**1.0%**	**19.1%**	**—**	**2.2%**

* Aviation excludes SAA which is government guaranteed.
As at 31 March 2021 Trade finance (R2.9bn) was reported as a vulnerable sector. Following internal review, at 30 September 2021 the sector is now no longer reported as a vulnerable sector given the underlying performance of the portfolio over the past six months.

CREDIT AND COUNTERPARTY RISK

An analysis of gross credit and counterparty exposures

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

At 30 September 2021 **R'million**	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	12 223	—	12 223	—	462	12 685
Loans and advances to banks	21 887	—	21 887	(2)	—	21 885
Non-sovereign and non-bank cash placements	9 707	238	9 469	(51)	—	9 656
Reverse repurchase agreements and cash collateral on securities borrowed	47 354	5 479	41 875	(1)	—	47 353
Sovereign debt securities	55 814	4 788	51 026	(55)	—	55 759
Bank debt securities	28 227	290	27 937	(24)	—	28 203
Other debt securities	15 276	195	15 081	(21)	—	15 255
Derivative financial instruments	7 192	7 192	—	—	4 530	11 722
Securities arising from trading activities	2 465	2 465	—	—	10 275	12 740
Investment portfolio	—	—	—	—	15 522*	15 522
Loans and advances to customers	292 456	22 228	270 228	(2 823)	—	289 633
Own originated loans and advances to customers securitised	7 585	—	7 585	(25)	—	7 560
Other loans and advances	150	—	150	(24)	—	126
Other securitised assets	—	—	—	—	646^^	646
Interest in associated undertakings	—	—	—	—	5 387	5 387
Current taxation assets	—	—	—	—	40	40
Deferred taxation assets	—	—	—	—	2 541	2 541
Other assets	—	—	—	—	13 595**	13 595
Property and equipment	—	—	—	—	3 538	3 538
Investment properties	—	—	—	—	16 000	16 000
Goodwill	—	—	—	—	212	212
Other acquired intangible assets	—	—	—	—	90	90
Software	—	—	—	—	70	70
Other financial instruments at FVPL in respect of liabilities to customers	—	—	—	—	1 150	1 150
Non-current assets classified as held for resale	—	—	—	—	1 537	1 537
Total on-balance sheet exposures	**500 336**	**42 875**	**457 461**	**(3 026)**	**75 595**	**572 905**
Guarantees	16 099	—	16 099	(7)	1 128	17 220
Committed facilities related to loans and advances to customers	66 272	—	66 272	(71)	—	66 201
Contingent liabilities, letters of credit and other	9 203	3 526	5 677	—	24 306	33 509
Total off-balance sheet exposures	**91 574**	**3 526**	**88 048**	**(78)**	**25 434**	**116 930**
Total exposures	**591 910**	**46 401**	**545 509**	**(3 104)**	**101 029**	**689 835**

^ Includes R72 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.

CREDIT AND COUNTERPARTY RISK
CONTINUED

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

At 31 March 2021 **R'million**	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	9 275	—	9 275	—	378	9 653
Loans and advances to banks	26 986	—	26 986	(3)	—	26 983
Non-sovereign and non-bank cash placements	9 005	23	8 982	(49)	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	30 757	12 477	18 280	(1)	—	30 756
Sovereign debt securities	53 014	3 266	49 748	(55)	—	52 959
Bank debt securities	21 865	288	21 577	(9)	—	21 856
Other debt securities	14 155	60	14 095	(23)	—	14 132
Derivative financial instruments	15 477	15 477	—	—	3 709	19 186
Securities arising from trading activities	2 828	2 828	—	—	12 374	15 202
Investment portfolio	—	—	—	—	15 131 *	15 131
Loans and advances to customers	281 835	23 969	257 866	(2 704)	—	279 131
Own originated loans and advances to customers securitised	8 209	—	8 209	(25)	—	8 184
Other loans and advances	205	—	205	(24)	—	181
Other securitised assets	—	—	—	—	578 ^^	578
Interest in associated undertakings	—	—	—	—	5 215	5 215
Deferred taxation assets	—	—	—	—	2 767	2 767
Other assets	—	—	—	—	16 368 **	16 368
Property and equipment	—	—	—	—	2 942	2 942
Investment properties	—	—	—	—	16 942	16 942
Goodwill	—	—	—	—	212	212
Intangible assets	—	—	—	—	116	116
Software	—	—	—	—	97	97
Other financial instruments at FVPL in respect of liabilities to customers	—	—	—	—	1 067	1 067
Non-current assets classified as held for resale	—	—	—	—	1 054	1 054
Total on-balance sheet exposures	**473 611**	**58 388**	**415 223**	**(2 893)**	**78 950**	**549 668**
Guarantees	14 903	—	14 903	(5)	1 024	15 922
Committed facilities related to loans and advances to customers	64 358	—	64 358	(69)	—	64 289
Contingent liabilities, letters of credit and other	7 525	3 521	4 004	—	22 887	30 412
Total off-balance sheet exposures	**86 786**	**3 521**	**83 265**	**(74)**	**23 911**	**110 623**
Total exposures	**560 397**	**61 909**	**498 488**	**(2 967)**	**102 861**	**660 291**

^ Includes R72 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.

ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE

Key judgements

The continued impact from COVID-19 has required significant judgement. Management performed extensive benchmarking of credit loss ratios, macro-economic scenarios applied and the coverage ratios against South African banks. It was concluded that the ECL position appeared reasonable in comparison to industry peers.

After careful review of portfolio performance and updated published market data, management retained the ECL overlay of R290 million (31 March 2021: R290 million) in the Private Bank portfolio. The overlay accounts for the unique nature of the COVID-19 pandemic and the impact on the South African economy. Specifically, the management ECL overlay accounts for emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios. Management believes that these risks are not adequately represented by the historic data used to populate the ECL models. The management ECL overlay was calculated with reference to published market data that best represents the possible exposure to these emerging risks. In line with our previous approach Stage 3 ECLs continued to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

Forward-looking macro-economic scenarios

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

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

As at 30 September 2021 all five scenarios were updated to incorporate the latest available data, although it should be noted that there has been a substantial upwards revision to the size of South Africa's economy by the country's statistical agency, in line with its rebasing, re-estimation and reweighting of GDP and its composition every five years. This has reduced the size of the contraction in GDP in 2020 and increased the pace of recovery.

The base case is characterised by the view that South Africa's economic recovery continues on the back of global economic recovery and structural reforms over the period, supported by sufficient monetary and other policy supports in key advanced economies. Market risk sentiment is neutral to somewhat risk on. The upwards revision to the size of GDP has reduced the fiscal deficit and debt ratios materially, which, along with the upwards revision to the size of the economy, has lessened the chance of credit rating downgrades this year and potentially in the medium-term. A degree of fiscal consolidation is also expected over the medium term. Limited impact of expropriation without compensation) to abandoned, unused, labour tenants' and government land (individuals are new owners and receive title deeds) does not have a negative effect on economy – no blanket widescale nationalisation. The base case sees South Africa retain a country rating from Moody's that is one of the three grades in the Ba (BB) category – currently Moody's rates South Africa Ba2 (BB). As at 31 March 2021, the weighting of the base case was 48%, and at 30 September 2021 the scenario weighting of the base case remained at 48% as the outlook for the economy has neither deteriorated nor improved materially.

The lite down case has the same expected international environment (including risk sentiment) as the base case, but the domestic environment differs. Under this scenario South Africa fails to stabilise its debt and falls into the single B credit ratings bracket from all three agencies while the effects from COVID-19 are slow to overcome. Business confidence is depressed with weak investment growth, while significant load shedding occurs, and the country falls into recession. A substantial degree of fiscal consolidation ultimately occurs, preventing South Africa's credit ratings from falling through the C credit rating grades. Expropriation of some private commercial sector property without compensation occurs, with some negative impact on the economy.

As at 31 March 2021 the weighting of the lite down case was 44%, but by 30 September 2021 it was revised to 43% due to the improvement mentioned above in government finances on the back of the larger size of GDP.

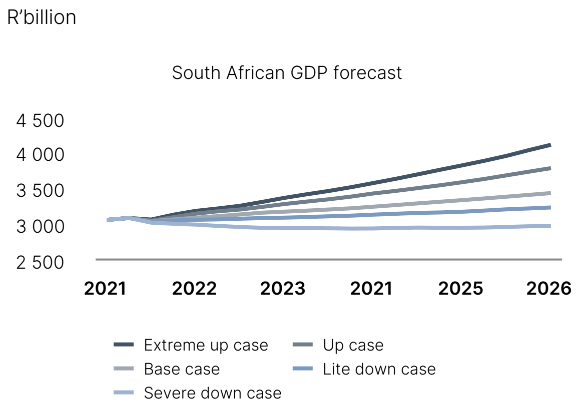
The severe down case is characterised by a lengthy global recession and/or global financial crisis (which could be caused or exacerbated by the failure to overcome the COVID-19 pandemic but is not limited to this), with insufficient monetary and other policy supports. A depression occurs in the South African economy, with extreme rand weakness. South Africa's credit ratings from all three key agencies drop below the single B categories, then fall through the C grade categories eventually to D grade (default) as government borrows from increasingly wider sources and sinks deeper into a debt trap, and then defaults. Eventually widespread load shedding and civil unrest occur. Nationalisation of private sector property under expropriation without compensation occurs with severe negative impacts for the economy. At 31 March 2021 the scenario weighting of the severe down case was 5%, but at 30 September 2021 the weighting was 6% as the destabilizing riots in July raised country risk somewhat.

The up case is depicted by a relatively quick rebound from the COVID-19 pandemic globally and domestically, with rising confidence and investment levels. The South African economy's structural problems are worked down quickly and no further credit rating downgrades occur. No expropriation without compensation of private property occurs.The rating outlooks eventually become positive, as strong fiscal consolidation sees government debt projections stabilise then fall in the near term. Global risk-on and strong global growth occurs in this scenario. As at 31 March 2021 the scenario weighting was 2%, and this was retained at 30 September 2021.

ADDITIONAL CREDIT AND COUNTERPARTY RISK DISCLOSURE
CONTINUED

The extreme up case is a scenario which is an acceleration of the up case, where the COVID-19 pandemic is resolved very rapidly globally and domestically. Very strong global growth and a commodity boom occur while domestically, good governance and substantial growth-creating reforms see very strong, sustained economic growth. Very strong fiscal consolidation also occurs and sees government debt drop to the low ratios of the 2000s. A high level of business confidence and fixed investment growth ensues, with substantial foreign direct investment inflows as property rights are strengthened and no nationalisation occurs. Domestic economic growth of 3-5%, then 5-7%, is achieved under this scenario and credit rating upgrades occur. This scenario retains a weighting of 1% as the exact domestic characterisations currently retain a very low probability.

The graph below depicts the forecast South African GDP growth under the macro-economic scenarios applied at 30 September 2021.



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

	At 30 September 2021 average 2021 – 2026					At 31 March 2021 average 2021 – 2026				
Macro-economic scenarios	**Extreme up case %**	**Up case %**	**Base case %**	**Lite down case %**	**Severe down case %**	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
GDP growth	6.6	5.0	3.2	2.0	0.4	5.5	4.4	2.7	1.8	(0.5)
Repo rate	3.6	3.8	4.2	4.8	5.3	3.5	3.8	4.7	5.0	5.6
Bond yield	9.2	9.5	10.1	10.8	11.5	9.2	9.5	10.4	11.1	11.9
CPI Inflation	4.0	4.5	5.0	5.7	6.4	4.0	4.5	4.9	5.4	6.1
Residential property price growth	7.3	6.7	5.4	4.6	3.5	7.1	6.3	5.3	4.1	2.6
Commercial property price growth	3.8	2.3	0.6	(0.6)	(1.9)	3.6	2.1	0.6	(1.0)	(2.7)
Exchange rate (South African Rand:US Dollar)	12.0	12.7	14.9	16.7	18.7	12.0	13.6	15.8	17.7	18.4
Scenario weightings	**1**	**2**	**48**	**43**	**6**	**1**	**2**	**48**	**44**	**5**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 30 September 2021.

	Financial years				
Base case %	**2021/2022**	**2022/2023**	**2023/2024**	**2024/2025**	**2025/2026**
GDP growth	5.1	2.5	2.2	2.7	2.9
Repo rate	3.6	3.9	4.3	4.6	4.8
CPI inflation	5.0	5.0	5.1	5.0	5.0
Bond yield	10.1	10.0	10.0	10.1	10.2
Residential property price growth	4.8	5.4	5.4	5.6	6.0
Commercial property price growth	(2.3)	0.9	1.1	1.5	2.0
Exchange rate (South African Rand:US Dollar)	14.3	14.7	14.9	15.2	15.3

MARKET RISK

Market risk in the trading book

Traded market risk

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

Value at Risk

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

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

	30 September 2021				31 March 2021			
95% one-day VaR R'million	**Period end**	Average	High	Low	**Year end**	Average	High	Low
Commodities	0.9	0.8	1.3	0.2	0.4	0.2	0.7	—
Equities	5.0	4.3	7.1	3.1	5.1	5.9	10.2	3.4
Foreign exchange	0.4	0.8	3.5	0.1	0.3	0.8	8.4	0.1
Interest rates	4.4	3.8	6.3	2.0	1.8	3.9	7.7	1.8
Consolidated*	**7.2**	**5.2**	**8.1**	**3.3**	**5.5**	**7.6**	**12.8**	**4.9**

* The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (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 2021 Period end**	31 March 2021 Year end
Commodities	1.5	0.9
Equities	8.4	8.3
Foreign exchange	0.9	0.5
Interest rates	11.7	4.4
Consolidated^	**13.8**	**9.7**

^ The consolidated ES for each entity 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 2021 Period end**	31 March 2021 Year end
99% one-day sVaR	**12.7**	**12.5**

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 2021				31 March 2021			
99% EVT R'million	**Period end**	Average	High	Low	**Year end**	Average	High	Low
Commodities	3.5	5.4	10.0	1.7	5.0	2.3	8.3	0.2
Equities	29.3	30.9	56.4	23.2	26.4	44.5	86.2	15.1
Foreign exchange	4.6	3.3	7.4	1.1	2.0	3.5	11.7	1.0
Interest rates	72.5	36.3	74.5	15.9	22.8	26.1	84.9	6.4
Consolidated#	**52.9**	**40.2**	**87.3**	**22.4**	**27.6**	**49.9**	**86.8**	**17.2**

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

INVESTMENT RISK

Investment risk

Investment risk in the banking book comprises 3.8% of total assets at 30 September 2021.

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 2021	Valuation change stress test 30 Sept 2021*	On-balance sheet value of investments 31 March 2021	Valuation change stress test 31 March 2021*
Unlisted investments**^	5 854	878	5 681	852
Listed equities	483	121	619	155
Investment and trading properties^	6 796	2 039	7 002	810
The IEP Group^^	5 286	793	5 117	768
Ninety One#	4 064	n/a	3 870	n/a
Total	**22 483**	**3 831**	**22 289**	**2 585**

** Includes the fair value loans investments of R2.3 billion (31 March 2021: R2.5 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 2021: 24.3%).

^^ The investment in the IEP Group is reflected as an investment in an associate. Investec 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 8.7% 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	30 Sept 2021	31 Mar 2021
Unlisted investments and the IEP Group	15%	15%
Listed equities	25%	25%
Trading properties^	30%	20%
Investment properties^	30%	10%
Ninety One	n/a	n/a

^ The stress test parameters applied to trading and investment properties were increased to 30% at 30 September 2021

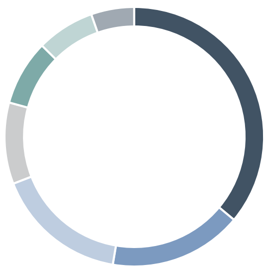
Stress testing summary

Based on the information at 30 September 2021, as reflected above, we could have a R3.8 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. Stress testing is not considered to be relevant for the group's holding in Ninety One. This investment is accounted for at fair value through other comprehensive income and any share price movement is likely to have a limited impact on the group's capital given the regulatory capital treatment which already includes a haircut of R1.3bn.

An analysis of the investment portfolio and the IEP Group by industry of exposure (excluding investment and trading properties and Ninety One)

30 September 2021

R11 623 million



Manufacturing and Commerce	36.1%
Real estate	16.6%
Finance and Insurance	16.5%
Mining and resources	10.1%
Other	8.1%
Electricity, gas and water (utility services)	7.2%
Communication	5.4%

BALANCE SHEET RISK

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.

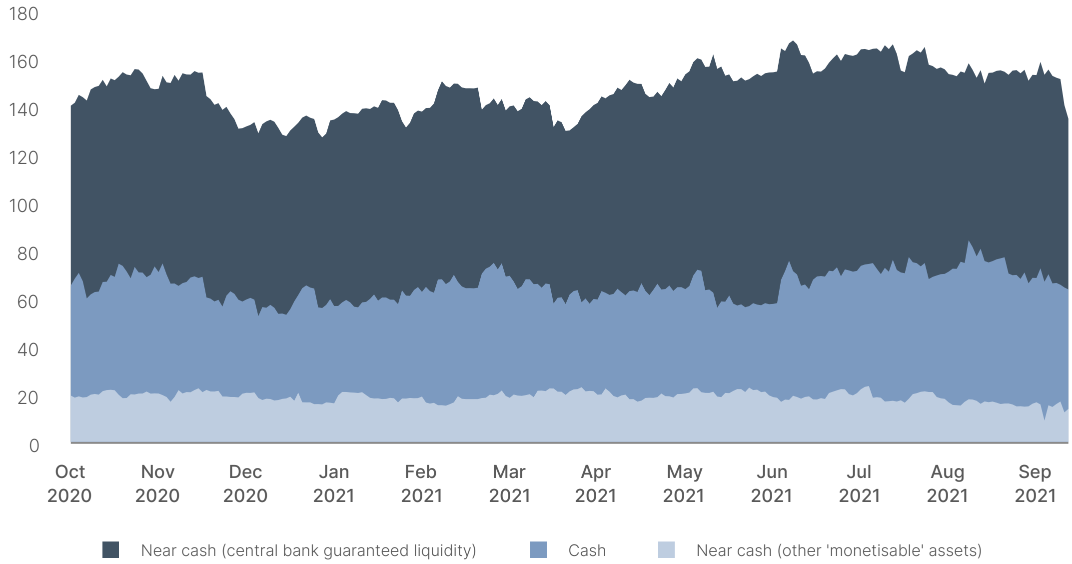
Liquidity risk

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.

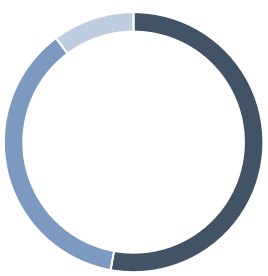
Liquidity risk is further broken down into:

- **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 solvency, financial position or its reputation.
- **Market liquidity:** this relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Cash and near cash trend
R'billion

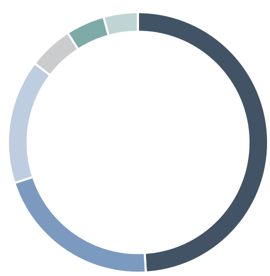


An analysis of cash and near cash
at 30 September 2021
R134.6 billion



Central Bank cash placements and guaranteed liquidity	52.8%
Cash	37.0%
Near cash (other 'monetisable' assets)	10.2%

Bank and non-bank depositor concentration by type
at 30 September 2021
R416.7 billion



Non-bank financials	49.1%
Individuals	20.9%
Non-financial corporates	15.4%
Small business	5.5%
Public sector	4.8%
Banks	4.3%

BALANCE SHEET RISK
CONTINUED

Liquidity mismatch

The tables that follow show the liquidity mismatch across our business.

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

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

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

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

Contractual liquidity at 30 September 2021

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	31 097	2 453	755	—	—	—	—	34 305
Cash and short-term funds – non-banks	7 717	141	101	—	—	1 159	538	9 656
Investment/trading assets and statutory liquids	36 093	60 038	8 224	10 756	11 166	48 034	33 701	208 012
Securitised assets	646	81	80	247	470	2 760	3 922	8 206
Advances	4 715	7 034	12 132	10 727	17 931	118 462	119 023	290 024
Other assets	638	5 973	2 000	467	63	5 869	6 614	21 624
Assets	**80 906**	**75 720**	**23 292**	**22 197**	**29 630**	**176 284**	**163 798**	**571 827**
Deposits – banks	(438)	(244)	(1 594)	(538)	(886)	(14 098)	—	(17 798)
Deposits – non-banks	(182 478)	(17 153)	(58 097)	(41 264)	(45 755)	(49 798)	(4 391)	(398 936)
Negotiable paper	—	(2)	(820)	(968)	(1 316)	(4 935)	(41)	(8 082)
Securitised liabilities	—	—	—	—	—	(1 146)	(2 003)	(3 149)
Investment/trading liabilities	(5 091)	(14 735)	(2 571)	(4 372)	(2 649)	(18 310)	(1 911)	(49 639)
Subordinated liabilities	—	(1 867)	(204)	(2 435)	(4 336)	(4 838)	—	(13 680)
Other liabilities	(4 945)	(2 994)	—	(424)	(484)	—	(8 738)	(17 585)
Liabilities	**(192 952)**	**(36 995)**	**(63 286)**	**(50 001)**	**(55 426)**	**(93 125)**	**(17 084)**	**(508 869)**
Total equity	—	—	—	—	—	—	(62 958)	(62 958)
Contractual liquidity gap	**(112 046)**	**38 725**	**(39 994)**	**(27 804)**	**(25 796)**	**83 159**	**83 756**	**—**
Cumulative liquidity gap	(112 046)	(73 321)	(113 315)	(141 119)	(166 915)	(83 756)	—	—

Behavioural liquidity as at 30 September 2021

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	**36 628**	**17 311**	**2 144**	**(1 488)**	**(3 878)**	**(148 625)**	**97 908**	**—**
Cumulative	36 628	53 939	56 083	54 595	50 717	(97 908)	—	

BALANCE SHEET RISK
CONTINUED

Non-trading interest rate risk description

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

Sources of interest rate risk in the banking book include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of 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 group 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 2021

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

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	**Total non-trading**
Cash and short-term funds – banks	19 936	176	—	—	—	11 684	31 796
Cash and short-term funds – non-banks	9 638	—	—	—	—	18	9 656
Investment/trading assets and statutory liquids	70 298	12 813	12 540	30 903	11 133	49 052	186 739
Securitised assets	8 206	—	—	—	—	—	8 206
Advances	263 215	4 509	3 513	16 236	529	2 016	290 018
Other assets	9 174	(3 808)	(2 469)	5 785	132	3 557	12 371
Assets	**380 467**	**13 690**	**13 584**	**52 924**	**11 794**	**66 327**	**538 786**
Deposits – banks	(13 521)	(211)	(694)	(2 633)	—	—	(17 059)
Deposits – non-banks	(329 453)	(21 028)	(19 542)	(9 542)	(1 603)	(17 719)	(398 887)
Negotiable paper	(2 039)	(542)	(850)	(4 538)	—	(113)	(8 082)
Securitised liabilities	(3 149)	—	—	—	—	—	(3 149)
Investment/trading liabilities	(8 958)	—	—	(2 068)	—	(4 869)	(15 895)
Subordinated liabilities	(9 377)	—	(1 668)	(2 607)	—	(28)	(13 680)
Other liabilities	(1 604)	—	—	—	—	(15 134)	(16 738)
Liabilities	**(368 101)**	**(21 781)**	**(22 754)**	**(21 388)**	**(1 603)**	**(37 863)**	**(473 490)**
Total equity	(3 920)	—	—	—	—	(59 038)	(62 958)
Balance sheet	**8 446**	**(8 091)**	**(9 170)**	**31 536**	**10 191**	**(30 574)**	**2 338**
Off-balance sheet	26 226	4 589	5 974	(30 168)	(8 959)	—	(2 338)
Repricing gap	**34 672**	**(3 502)**	**(3 196)**	**1 368**	**1 232**	**(30 574)**	**—**
Cumulative repricing gap	34 672	31 170	27 974	29 342	30 574	—	

Economic value sensitivity at 30 September 2021

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	(120.5)	0.4	(2.3)	—	—	1.0	**(145.0)**
200bps up	63.1	(1.1)	7.1	(0.6)	—	(10.5)	**128.4**

The group previously disclosed its exposures to IBOR benchmarks as at 31 March 2021. In the group's view the change in exposure since this date has not been significant.

CAPITAL ADEQUACY

A summary of capital adequacy and leverage ratios

	Increased AIRB Scope *		FIRB
R'million	**30 Sept 2021^**	31 Mar 2021^	31 March 2021^
Common equity tier 1 (as reported)	13.9%	12.8%	12.2%
Common equity tier 1 (fully loaded)^^	13.9%	12.8%	12.2%
Tier 1 (as reported)	14.8%	13.4%	12.8%
Total capital adequacy ratio (as reported)	17.7%	16.6%	16.0%
Leverage ratio**	7.6%	7.6%	7.6%
Leverage ratio** – fully loaded^^	7.5%	7.5%	7.5%

Capital structure and capital adequacy

	Increased AIRB Scope *		FIRB
R'million	**30 Sept 2021^**	31 Mar 2021^	31 Mar 2020^
Shareholders' equity	**45 803**	**44 292**	**44 292**
Shareholders' equity per balance sheet	48 842	47 331	47 331
Perpetual preference share capital and share premium	(3 039)	(3 039)	(3 039)
Non-controlling interests	**—**	**—**	**—**
Non-controlling interests per balance sheet	10 125	10 083	10 083
Non-controlling interests excluded for regulatory purposes	(10 125)	(10 083)	(10 083)
Regulatory adjustments to the accounting basis	**1 428**	**1 308**	**1 308**
Prudent valuation adjustment	(207)	(219)	(219)
Gains or losses on liabilities at fair value resulting from changes in our credit standing	(14)	(12)	(12)
Cash flow hedging reserve	1 649	1 539	1 539
Deductions	**(2 805)**	**(2 539)**	**(2 665)**
Goodwill and intangible assets net of deferred tax	(372)	(425)	(425)
Investment in financial entity	(767)	(737)	(749)
Shortfall of eligible provisions compared to expected loss	(200)	(239)	(346)
Investment in capital of financial entities above 10% threshold	(1 293)	(983)	(990)
Amount of deductions exceeding 15% threshold	—	—	—
Other regulatory adjustments	(173)	(155)	(155)
Common equity tier 1 capital	**44 426**	**43 061**	**42 935**
Additional Tier 1 capital	**2 892**	**2 131**	**2 142**
Additional tier 1 instruments	7 030	6 253	6 253
Phase out of non-qualifying additional tier 1 instruments	(4 048)	(4 048)	(4 048)
Non-qualifying surplus capital attributable to non-controlling interest	(90)	(74)	(63)
Tier 1 capital	**47 318**	**45 192**	**45 077**
Tier 2 capital	**9 325**	**10 559**	**10 956**
Collective impairment allowances	461	435	435
Tier 2 instruments	13 680	14 445	14 445
Investment in capital of financial entities above 10% threshold	(875)	(542)	(546)
Non-qualifying surplus capital attributable to non-controlling interests	(3 941)	(3 779)	(3 378)
Total regulatory capital	**56 643**	**55 751**	**56 033**
Risk-weighted assets	**320 582**	**336 629**	**351 125**

* Investec Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021. We presented numbers on a pro-forma basis for 31 March 2021.
** 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 93bps lower (31 March 2021: 39bps 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 2023.

CAPITAL ADEQUACY
CONTINUED

Capital requirements

R'million	Increased AIRB Scope * 30 Sept 2021	FIRB 31 March 2021
Capital requirements	**35 264**	**36 868**
Credit risk	27 663	29 263
Equity risk	2 767	2 670
Counterparty credit risk	862	1 024
Credit valuation adjustment risk	457	619
Market risk	526	475
Operational risk	2 989	2 817
Risk-weighted assets	**320 582**	**351 125**
Credit risk	251 484	278 692
Equity risk	25 157	25 427
Counterparty credit risk	7 832	9 756
Credit valuation adjustment risk	4 156	5 892
Market risk	4 781	4 526
Operational risk	27 172	26 832

Leverage

R'million	30 Sept 2021^	31 March 2021^
Exposure measure	**626 172**	**593 944**
Tier 1 capital	47 318	45 077
Leverage ratio**	**7.6%**	**7.6%**
Tier 1 capital fully loaded^^	46 899	44 641
Leverage ratio- fully loaded^^**	**7.5%**	**7.5%**

* Investec Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021.

** 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 93bps lower (31 March 2021: 39bps 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 2023.

ALTERNATIVE PERFORMANCE MEASURES

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	Six months to 30 Sept 2021	Six months to 30 Sept 2020	31 March 2021
Operating profit before goodwill and acquired intangibles	4 071	1 731	5 110
Add: Loss/(profit) attributable to other non-controlling interests	(332)	316	2
Adjusted operating profit	**3 739**	**2 047**	**5 112**

Annuity income	Net interest income (refer to page 10) plus net annuity fees and commissions (refer to page 11)
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 2021	31 March 2021
Loans and to customers per the balance sheet	289 633	279 131
Add: Own originated loans and advances to customers per the balance sheet	7 560	8 184
Net core loans	**297 193**	**287 315**
of which subject to ECL*	295 621	285 739
Net core loans at amortised cost	275 059	263 451
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	20 562	22 288
of which FVPL (excluding fixed rate loans above)	1 572	1 576
Add: ECL	2 848	2 729
Gross core loans	**300 041**	**290 044**
of which subject to ECL*	298 469	288 468
of which FVPL (excluding fixed rate loans above)	1 572	1 576

^ 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 (R21 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: R22 billion). The ECL on the portfolio is R94 million (31 March 2021: R105 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	Six months to 30 Sept 2021	Six months to 30 Sept 2020	31 March 2021
Operating costs (A)	4 349	3 917	8 457
Total operating income before expected credit losses	8 528	6 221	14 188
Less: Profit attributable to other non-controlling interests	(332)	316	2
Total (B)	8 196	6 537	14 190
Cost to income ratio (A/B)	**53.1%**	**59.9%**	**59.6%**

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 10

DEFINITIONS

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

ECL
Expected credit loss.

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

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 10 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 10 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.

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.

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